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Proceedings of a Seminar
Sponsored by the Manitoba
Economic Development
Advisory Board
Winnipeg 1976

The Housing Problem in Manitoba What Can Be Done?

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THE HOUSING PROBLEM IN MANITOBA WHAT CAN BE DONE?

PROCEEDINGS OF A SEMINAR SPONSORED
BY THE MANITOBA ECONOMIC DEVELOPMENT
ADVISORY BOARD

COMPILED AND EDITED BY
JOHN MCGUIRE
RESEARCH DIRECTOR
AND EXECUTIVE SECRETARY

WINNIPEG, NOVEMBER 1976

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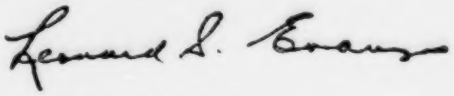
PREFACE

Everyone is concerned about housing. Shelter is one of the basic needs of mankind and every well intentioned person desires to secure the best possible housing not only for himself but for everyone else. The provision of adequate housing is also one of the national economic activities of any society. The amount of investment in time, labour and materials that society must put into housing of one kind or another is so large that the health of that society's entire economy is strongly influenced by the health of the housing industry. For the individual, whether he wishes to buy or to rent his accommodation the cost of housing is one of the larger components of his household budget.

The housing industry in Canada and in Manitoba has had problems of a chronic nature for years. However, since the early 1970's the industry, due to a variety of reasons, has been in a state of crisis. The manifestation of the crisis, such as the accelerating upward trend in prices and carrying costs are clear for all to see; the root causes are complex and not so easy to see.

For all of these reasons I was delighted to endorse the Economic Development Advisory Board's proposal to sponsor a one-day Seminar on the housing problem in Manitoba and I welcomed the opportunity to participate personally in the day's events. Both the papers presented and the resulting discussion were informative and stimulating. Therefore, I am pleased to see that these papers and proceedings are recorded in print and made available for a wider audience.

I would like to thank the Economic Development Advisory Board, and everyone associated with the Seminar and the preparation of these proceedings; they all have my sincere congratulations for a job well done.



Leonard S. Evans
Minister of Industry & Commerce
and The Minister Responsible for MHRC

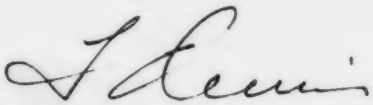
FOREWORD

The Economic Development Advisory Board, as part of its on-going program, looks for opportunities to establish a dialogue between government and the private sector. One of the formats that we have used with some success in the past is to sponsor a seminar on some topical issue, an issue that is important to each of us and to the general health of the Manitoban economy. This publication contains the papers and proceedings of one of these seminars which was held in November, 1976.

The objective of that seminar was to try to develop a consensus of public opinion on the subject of housing and particularly on the high cost of housing. We were not out to find a culprit but rather to provide a forum for dialogue, to allow people to interact on a face-to-face basis. It seemed to us at the Board that such a forum was needed because much of the debate on the housing problem especially at that particular time was taking place indirectly via the various forms of the news media. As a result, much of the debate was degenerating to mere rhetoric and hence not only was it non-productive, it had a tendency to be counter-productive.

Delegates to the seminar represented just about every element in the community that is interested in a direct way with housing. The industry is well represented as well as various government departments, MHRC, CMHC, the university, labour, consumer groups and other interested groups. In order to provide some leadership in the discussion we asked several people to present short position papers and to act as discussion leaders. The Board felt that the quality of the position papers and the resulting discussions merited their publication. I am sure that you, the reader, will agree.

On behalf of EDAB I would like to thank each of the speakers and the delegates to this seminar for their participation. I would also like to thank the staff at EDAB for their work in producing this booklet. Although it is traditional to thank everyone involved in the production of a publication, it is not until one is actually involved in such a venture that one fully appreciates the justification of such a tradition.



L. Remis
Chairman

CONSENSUS REPORT OF THE SEMINAR PROCEEDINGS

A consensus report of the proceedings of this seminar need not be long. The areas of consensus were few and broad in nature. Perhaps the most important lesson was the one that was never expressed but one which I feel most participants learned or, at least, re-learned. Although few were converted from their own viewpoints to the viewpoint of someone else, most participants acquired more respect both for the other points of view and the integrity of the people supporting those other points of view.

Unfortunately, on matters such as housing which strongly influences the economic well-being of so many in so many ways, people tend to become paranoid. The solutions to their own sources of frustrations begin to appear so simple and the reasons why these solutions do not occur begin to appear to be due to the incompetence and/or the immorality of others. Such paranoia reduces the chances of effective reform.

Statements like " . . . I am surprised at how little I find to quarrel with on the various points made by the speakers both here (on the platform) and at the microphones " and "I was interested in the papers delivered by all the panelists. I find very little to quarrel with the positions taken because of the manner in which they started from" were made throughout the day and lend support to the assertion that the seminar gave everyone a greater awareness of the plight of others.

There appeared to be general agreement that while many of the existing problems in the housing industry were long standing the crisis as such did not appear until the early 1970's. The crisis was manifested

in a sharp acceleration in the rate of price increases and the monthly carrying costs for housing. Everyone appeared to be concerned about this crisis. One would logically expect the general public, and thus in turn the government, to be concerned. However, the developers, the builders, and the unions were also concerned. The rapidly rising prices it was feared would cut sharply into the volume and thus into profits and employment.

While all components of costs had been clearly contributing to the rising prices, the cost of land - both the assembling and the servicing, but especially the assembling - was identified as a major source of the housing crisis. However, there was no agreement as to why land was increasing in value so quickly. Every vested interest group denied responsibility and pointed the accusing finger at some other vested interest group. Where there is smoke there is fire and no doubt there is some justification for every accusation. However, there was also some legitimate justification in the defence of every group accused of fault. The scenario of the housing industry is like a vicious circle. Each component of the circle, given the behavior of the other components, must act in a certain way to safeguard its own concerns. Yet, the action of that component forces the other components to continue to behave as they have been.

Obviously some way must be found to break the circle. However, the solutions proposed were usually based ideological rationales and were thus usually found to be unacceptable to one or more important sectors of the community. For instance, there were suggestions that the market as it is presently structured should be allowed to operate more freely; that is to say with less government regulation and direct intervention (on both the supply and the demand side). Also, it was suggested that the market would

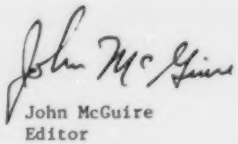
function more effectively if the present monopolistic or oligopolistic structure were altered towards a more competitive form; that is to say steps should be taken to make it easier for smaller firms to enter the market. Finally, it was suggested that the government must take a more active role as a substitute for the market.

While there may not have been agreement as to what the solution should be there was fairly broad agreement as to what the root cause was. The need for a large addition to the housing stock within a short period of time was conflicting with the need for rational and fiscally responsible urban development. The consequences of a housing boom, for good or evil, will be long term. Yet the need for a sufficient supply of adequate housing at reasonable costs to the public was real and immediate. Several of the developers echoed Mr. Denton's complaint of not being able to acquire serviced land - while others, led by Mr. MacDonald, described the dire financial and other consequences for the city, of urban sprawl.

It is not surprising either that some people attempted to defuse the intensity of this clash of objectives by suggesting that the actual need for housing was not as great as the demand indicated. People, especially younger people, it was argued, need to revise downward their expectations and these unrealistic expectations need not be fuelled by government subsidies. In a similar fashion, it was argued that we as a society should alter our life-styles; we should move away from the belief that everyone has a right to a single unit unattached privately owned house. Instead, we should learn to accept higher density modes of housing and to be renters rather than owners.

The effect of high interest rates in the carrying costs of a house was also generally recognized but although some suggestions were made to alleviate this problem, the concern of the delegates for this problem, as indicated by the lack of discussion, was not great. The reason for this may well have been,as Ms. Dana Mallin pointed out, the dearth of consumer representation at the seminar.

While many other issues were raised and debated throughout the day no other points of general consensus could be discerned. However, a careful reading of the debate in these proceedings nevertheless will prove to be interesting and enlighting.



John McGuire
Editor

1.

THE HOUSING PROBLEM - AN OVERVIEW

By: John McGuire

Introduction:

I have no answers, only questions for you today. Not only would it be presumptuous of me to try to give you the answer, it would be contrary to the spirit of this seminar. The fact is, that each of you, based upon your experiences in the business, have insights and solutions to the housing problem. However, if the statements made in the media are any indication, your perceptions and solutions are quite different. Hopefully, today's seminar will help to reduce these differences.

As I see it, my task as the lead-off speaker is to attempt to present an overview of the housing problem in order to provide a framework for today's discussion. I will begin that task by saying that I cannot escape the feeling that the so-called housing crisis is a short term phenomenon which depending upon how we react to it, can have adverse long term repercussions. Prices of homes and the subsequent carrying costs have accelerated recently due to a variety of reasons and it is this rate of increase in prices and carrying costs rather than their level that has created the present panic-like atmosphere.

No one can deny that such things as rapidly rising prices followed by rapidly falling prices, critical shortages in supply followed by large inventories of unsold houses, and the necessity, in the opinion of government, to impose rent controls are all symptoms of an industry that is having difficulty in matching supply with demand. The crucial question is: is this inefficiency

the result of forces that will shortly disappear leaving no permanent scars, is it the result of some fundamental changes that require equally fundamental reforms, or is it the result of certain chronic weaknesses or bottlenecks in the housing delivery system that were not serious hindrances until stress was placed on the system by recent occurrences?

In any event, before solutions to the housing problem can be discovered, it is necessary to correctly identify the causes of the problem. It is not sufficient and in fact can be harmful to merely recognize and treat the symptoms. The one exception perhaps would be if it is discovered that the first alternative is the true cause of the inefficiency. However, I personally, opt for the third alternative and argue that although the sources of the stress are recent and temporary, the consequences of our reactions will be neither minor nor temporary. There is need to make some fundamental reforms in order to remove the chronic weaknesses in the housing delivery system. I will return to this argument shortly.

Historic Performance:

Based upon certain statistics the performance of the economy in providing housing does not appear to be too bad. Since 1951 despite population growth there has been a downward trend in the number of persons per room and an upward trend in the number of rooms per dwelling in Winnipeg, in Manitoba and in Canada. Also, the housing standards have improved. More than half of the present housing stock in Canada, approximately seven million units, has been built in the last twenty-five years. Since 1951, the percentage of dwellings without piped-in water supply, flush toilets or bathing facilities has been sharply reduced. These statistics can be largely explained by the rapid rate of new housing construction. The federal government's target of

one million new housing starts for the period 1969 to 1973 was exceeded by 150,000 units. Currently, despite the recent downturn, the nation is producing new housing units at a rate which is very close to the federal government's target. For the period 1972 to 1976 the government set an annual target of 245,000 starts. From 1972 to September 1975, there were 919,000 starts which was 98% of the target to that date. Compared to other countries, this rate of production is quite good. The United States, for instance was not producing housing units on a per capita basis at this rate. You may wish to argue about my choice of performance indicators or about the actual numbers but the point is still valid. Generally speaking, the housing supply has been improving over time relative to demand in both quantitative and qualitative terms. Of course, there still remains the question of whether or not this production was as efficient as it could be. There is always the possibility that with the same amount of resources devoted to this industry that more houses could have been built, or that the proportion of each type of dwellings built could have matched the composition of demand better, or that the costs per dwelling unit could have been lower.

One indication of efficiency would be the trends in the cost of shelter relative to the costs of other consumer goods. Another indicator would be the trends in the cost of housing relative to trends in average household incomes. A third indicator of efficiency would be to observe the changes over time in the number of households that could afford the monthly carrying costs of the average priced home. While none of these measures are perfect

for the purpose at hand, they all have the same general trend. The trend in the cost of housing has remained roughly parallel to the trends for other costs and to the trend for average income until the late 1960's or early 1970's when the costs of housing relative to other costs and to average income accelerated. The table below illustrates this point for Ontario. In a study prepared for HUDAM, Underwood, McLelland and Associates estimated that the percentage of Winnipeg residents that could afford new housing have decreased from 74.0% in 1971 to 29.9% in 1975.

House Prices, Carry Costs and Incomes
in Ontario

Year	Av. Price of Transactions under M.L.S. Ontario	Av. Down-payment	Convential Mtg. Int. Rate	Annual Carrying Costs	Percentage of Ontario Families for whom Annual Carrying Costs would be less than 25 percent of Gross Income
1961	14,487	2,608	7	994	69
1967	21,285	4,896	7 3/8	1,419	69
1971	27,502	5,500	9 1/2	2,075	58
1974	46,752	12,156	11 1/4	4,076	29

Source: Ontario Economic Council, Housing, Issues and Alternatives, Table 4, p.7

To argue that the recent 'crisis' in housing is the result of short term forces is not to suggest that the repercussions of the crisis are minor or temporary nor that there are not long term or chronic problems in housing

that need attention. Some of the short term repercussions are as follows: First, there are tremendous inequities in the carrying charges amongst homeowners depending solely upon when they bought their homes. It is not unusual for there to be a difference of two or three hundred dollars per month in the carrying charges of two identical homes except that one home was bought a few years sooner. This means that two household with the same take-home pay either have vastly different dwellings or have vastly different monthly budgets for other purchases. This difference in monthly payments is not short term and the resulting difference in the lifetime standard of living for different households is significant. To make things worse,the households with the lower monthly payments normally will make greater capital gains upon selling their house. No one, to my knowledge, has attempted to measure the impact of this inequity upon the economy. What, for instance, is the affect upon wage demands, working attitudes of the young and the number of women in the labour force. (Forcing women into the labour market out of economic necessity is not in my view liberating women or men.)

Second, the attempt to greatly increase the number of dwelling units in a short period of time puts a great deal of cyclical pressure on the economy. Both the gearing up and subsequently the gearing down of the capacity of the residential building industry will have a strong impact on the entire economy. Third, the rapid growth is hastening the trend towards urbanization and thus greatly intensifying all the problems associated with such growth. Decisions in the area of city planning such as transportation systems, residential and commercial zones,and environmental control need to be made

quickly and thus perhaps with not as much wisdom as there would otherwise be. Knowledge that decisions must be made quickly greatly increases the antagonism between the various vested interests and thus greatly reduces the chances of reasoned compromises. Ironically, the heightened antagonism has the affect of retarding the decision-making process which in turn only intensifies the pressures that created the antagonism. Decisions made now about what is built and where it is built will have long-term consequences on the nature of the development of our province and cities. Thus, even if we are in a short term crisis, there is no reason to adopt a 'do-nothing' attitude.

We, as a nation and as a province, also are faced with chronic problems that are not being helped by the present crisis. For instance, although we, in Canada, have always been among the best housed in the world, there has always been inadequate housing for certain sectors of our population. Despite large scale government involvement, the number of people who cannot afford reasonable housing has always been large and has, if anything, been increasing recently (see Table, p.4). There are some who suggest that government involvement has made things worse. (See for instance, "Prices" by David Baxter and S. W. Hamilton and "Government Planning" by Norman Pearson in the Financial Post, April 22, 1975.) However, even given how bad things are now, I wonder if they would have been worse without government involvement. Finally, I would like to say that the main lesson from reading John Saywell's, Housing Canadians: Essays on the History of Residential Construction in Canada, is that the familar complaints about such things as inadequate housing for the lower income families, spectacular profits from land speculation and undue control of city government by the housing industry have been with us since the beginning of our history.

The Housing Problem:

Just what is it then that is different now in the housing industry to justify talking about a housing crisis and more importantly, given the situation as it is now what can be done to improve future performance? It is often said that the most important step in finding the solution to any problem is to ask the right questions. In an attempt to correctly identify the problem I would like to suggest the following question.

> Will the supply of housing in Manitoba in the future be adequate to meet the demand at a reasonable cost?

This question in turn begs the answers to other questions. For instance:

1) What determines the demand for housing?
2) What factors will influence the supply and cost of housing?

I would like to elaborate somewhat on each of these latter two questions.

What Determines The Demand For Housing?

The forces influencing the demand for housing are usually classified into demographic and non-demographic categories. With the warning that it is often dangerous to so categorize because the forces are inter-related I will follow this system of classification. Demographic factors include such things as the natural rate of population growth, the rate of net migration, changes in the age distribution of the population, the rate of household formation, and changes in the characteristics of the households. Even though all these factors are influenced by economic conditions, usually their trends are predictable enough to make, at least, short-term projections of the increase in the number and type of housholds. Although, knowledge about

future demographic trends is necessary for planning and although a discussion of past demographic trends would do much to explain the current 'crisis', for purposes of debate in this seminar presentation of such data is uninteresting. The interesting points of debate should be centred around the questions, given that demographic trends can be projected(and thus a rough idea of what the demand will be), what were the factors which hindered the industry from meeting this demand while maintaining a reasonable increase in costs and are these inhibiting factors still with us?

At this point I would like to make a comment which is,perhaps, somewhat off-topic. It has to do with economic development and the long run viability of our province. At a meeting with West-Man Regional Development Corporation in October 1975, members of our Board were told that urban areas in south-west Manitoba were having trouble attracting industry because there was no labour force to tap and that there was no labour to tap because there was not an adequate supply of housing to attract the in-migration of labour. There was not an adequate supply of housing because builders could see no market for housing because there was no new industry developing. We have a 'chicken and egg' development problem with the supply of housing as an important component. The lesson is clear and bordering on the mundane. The housing industry cannot be ignored when economic development problems are considered because it is a source of a large amount of direct and indirect employment.

The non-demographic determinants of demand are economic and cultural in nature. Perhaps the most important economic determinant of housing demand

is income. Again there is not much to be gained towards the solution of the housing problem by discussing this influence on housing demand. The determinants of income levels are also a part of the broader problem of economic development. As a matter of interest, however, I would like to note that A. Derkowski in his study for HUDAC claimed that while the average price of a house in Winnipeg is lower than most large Canadian cities, the level of average income is also lower. The net effect is to make housing costs in Winnipeg relative to income amongst the highest in Canada. If the current trend of rising prices and carrying costs of housing are largely due to nationally influenced factors such as interest rates and building material prices, then Winnipeg's high cost of housing relative to income can only get worse unless something can be done to improve the level of average income in Winnipeg.

The cultural influence on the demand for housing can be translated into the needs for housing. Although the primary need is shelter, it requires only a little reflection to realize that a dwelling serves many other needs. The type of dwelling a person chooses to live in is a reflection of his life-style. It is also a part of that individual's identity; (it is part of the image of himself that he wishes to project to the world). In addition, there is a need for privacy. Finally, and related to image and the need for privacy, a person would like to have as many comforts, amenities and even luxuries as possible.

If, as some have argued, most of an individual's perceived needs are culturally determined, then his conception of what is and what is not acceptable housing is also culturally determined. A dwelling which fulfilled only the basic minimum biological requirements for shelter would not be deemed as

acceptable housing by anyone in Canada today. Therefore, it may well be that much of the housing problem is due to rising standards for all classes of people of what is acceptable as adequate housing.

This statement is meant to be value free. I am not passing judgement at the moment as to whether or not standards for acceptable housing should be rising. What I am saying is this. If rising standards of expectations are a significant contribution to the 'Housing Problem' then the 'Problem' is essentially a marketing problem. Either the public has to be convinced that the perception of adequate housing is expensive but unavoidably so, or the public's perception of adequate housing has to be changed towards the acceptance of less expensive forms of housing. The former alternative involves more than just convincing individuals that they must be prepared to spend a large part of their income on their own housing needs. It also involves convincing the higher income people that they must be prepared to have some of their income transferred, via such vehicles as taxation and subsidization, to lower income people - people who cannot afford to acquire socially acceptable forms of adequate housing. Related to this point and for the purpose of stimulating debate, I would like to present two arguments that I have read in several different sources. First, it has been argued that inadequate housing for the poor is not a housing problem but a poverty problem. The solution to the poverty problem is to re-distribute income to give the poor enough income to buy homes. By implication the housing industry will be able to supply the increased demand. On the other hand, it has been argued that recent government subsidies to home buyers has been one of the major causes of increased prices because the industry cannot meet all the demand. The proponents

of this argument maintain that the government should stimulate supply not demand.

In any event there is need for greater understanding of the determinants of socially acceptable housing. I know what I have just been saying may sound very academic. Nevertheless, from a broad social perspective - a perspective from which the analysis of the housing problem must begin - knowledge of the determinants of socially acceptable housing is fundamental. Perhaps an example from my own experience will help to illustrate the point. As a boy, it was not unusual for me to see, while travelling by car in the outskirts of Toronto, half-built homes and garages that were occupied. People would buy a piece of unserviced land build a garage and move in. Heat would be provided by a wood burning stove and light by kerosene lamps; water would be brought in from a well or transported from the city. While living in the garage, the people would build the basement of the house and then move in to it. Finally the rest of the house would be built. This method of home building is no longer common. Why is it not and does the fact that it is no longer common represent progress? My own family was a part of this group and as a child I did not feel deprived. In fact I now have fond memories of those 'pioneering' days.

What Factors Influence The Supply And Cost Of Housing?

There are only two sources of supply, newly built dwellings and older homes offered for re-sale. Because the re-sale of older homes has no effect on the total stock of housing and the price trends are similar to the price trends of new residential construction, I will discuss only

the market for new dwellings.

There are only three areas,or as economists would call them, stages of production which can influence the over-all cost as opposed to the selling price of a housing unit. They are the assembling of raw land, the development of land and the construction of the building. Within these three stages there are six groups of people involved, namely the owner of raw land, the developer, the builder, the suppliers of building materials, labour and government (all three levels). In addition to the building costs there is the cost of financing which involves another group of people, the financiers and of course, the government again. When the supply side of the housing market is presented in this way it looks so very simple; it would seem that any problems on the supply side should be easily recognized.

Actually, I do not intend to say much on these matters because I believe this area is the one that will be explored in depth in today's debate. However, there are a few questions I would like to ask. The first question has to do with land speculators. As you all know, the price of raw land has escalated drastically recently and the speculator has been most commonly identified as the culprit. Underwood, McLelland and Associates in their study for HUDAM state that in 1972, developers believed a price of $4,000 per acre was reasonable. Since that time the selling price of land has ranged from $4,000 to $20,000. I would like to pose to you a question that was asked of me by Professor Clarence Barber. If there were no speculators, would the price of raw land be any different? One answer is no, it would not, because the price of land is determined by the relative scarcity of available land compared to the requirements of the developers.

If there were lots of lots there would be no room for speculation. That is the simple answer. Are there any other answers? If there are not any other answers then we have to address ourselves to the questions of why there is a relative scarcity of land for development and of what can be done to reduce the scarcity.

The second question I would like to ask has to do with the structure of the industry. The industry in Winnipeg is dominated by five large fully-integrated companies (one of which is the government). This fact is the basis of the common cry that the high cost of housing is due to monoply profits. There is a more basic issue here, however. Even if there are monopoly profits, do the savings in cost due to economies of scale more than compensate and thus yield lower housing prices than there would otherwise be? Another related question is whether or not the present structure of industry encourages or discourages technological advance and innovativeness?

There are other questions on my mind but I think I have said enough. My task was to begin the discussion not to dominate it. Hopefully, I have said some things that will provoke a response from you. In closing, I would like to say that I believe that whenever there is a problem in the economy such as housing, that to search for a culprit is non-productive. No doubt there are villians who have acted improperly for their own ends. However, we have always had those kind of people. The crux of the problem is the inability of the housing delivery system to produce what society wants. It is the weaknesses in the system that we must identify and correct. To search for a culprit is to reduce the search for solutions to a witch-hunt. I hope the discussion does not degenerate to a witch-hunt today.

DISCUSSION

Leonard Remis

Thank you, John. I hope you all concur with me that John has provided plenty of food for thought. In any event the meeting is now open for discussion.

Tom Denton - Executive Vice-President
Genstar Homes Ltd.

Mr. Chairman, just so the thing gets going - I do not want to be the one that casts that first stone for I think it is a very fair statement John has made. However, there is one point I would like to question. You say, John, (on page eleven) that there are only two sources of supply, newly built dwellings and older homes offered for re-sale, and that the sale of the second-hand houses has no effect on stock. I wonder if, as an economist, you have thought about the rate of re-sale? I think maybe that the rate of re-sale of second-hand houses does have an effect on stock. As builders, when we are looking for new areas to build in, we have a very close look at the rate of re-sale of second-hand houses. It tells us much about the general health of the market and if there is a high incidence of re-sales then we are apt to believe that there are opportunities there.

John McGuire

That is a fair statement and I think that the answer is that there is a difference in perspective. I suspect that if I was in the business of building homes and I wanted to have some concept of where I should build and how often I should build one of the things I would want to monitor

would be the rate of flow of homes going on the market and coming off the market. I think that is a legitimate concern. What I was trying to say in the paper is that most of the interesting trends that occur in the re-sale market could be picked up in a similar way in the new housing market. The two markets are in fact very closely related and thus for the purpose of my talk, it would be largely redundant to talk about the two of them. What I think you are saying to me is that what happens in the re-sale market is a good indication of what the overall demand for housing is like. I would accept that.

Peter Anderson - Assistant Branch Manager
C M H C

In light of some of the recent regulations with regard to older buildings and the need to bring them up to a reasonable fire-safety level, I think we, as government, are going to have to take a look at how we gather our statistics. What we are talking about, as Tom pointed out, are those houses which are in reasonably good shape and still trading. What is happening, not only in the Winnipeg market but in a number of markets in the major cities, is a removal of units which might otherwise remain on the market. With the development of home repair programs - the RAP program and similar types of programs - we may have to look at an additional statistic in evaluating those houses which can be repaired and which would otherwise not remain on the market due to the regulations. We should also be developing mechanisms whereby we can keep those units on the market longer.

John McGuire

That is an aspect that I missed. I guess there will be other holes too, but there is a whole area of renovating older homes and raising the standards. I do not have any real knowledge of what is happening in that area - perhaps if there is somebody who does, they could comment. My feeling, and it is just a street feeling, is that this is an area which has been largely ignored. However, can I throw out to you one of the questions that I put in my paper? Is the problem we are facing now short-term and are we essentially all worrying about nothing? Then perhaps the reason we are worrying about the housing crisis is simply because of what it is doing to our pocket books. Since the price is going way up and the mortgage rate is going way up and therefore the carrying costs are going way up. It is hurting us right now and that is the only reason we are screaming; we are not really worrying about the output of the industry over time and we need not because in time the industry will adjust. Is that a fair statement or are we really in trouble with housing?

Rod Reinhardt - Business Manager
United Assoc. of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the U.S. and Canada Local Union #254

John, I would like to ask you about your comments on page 13 where you say "Another related question is whether or not the present structure of industry encourages or discourages technological advance". Do you mean technological advance in terms of technology changes? Well it has been our experience within the building trade that every time there is a possible

chance for a technological change, the trade sure as hell grabs at it. Now you take our industry as an example. We have come all the way from using cast-iron sole pipe with hub and spigot - where the plumber will go in and pack it with ocum and then pour lead into it - to copper and we now are also into plastic. If that is not technological advance I do not know what is.

Michael Nozick - President
Fairweather Properties Ltd.

I have a commentary that I would like to make in direct response to your question as to whether or not this is a short term or long term problem. I think that as a result of government policy implemented at both the federal and provincial level over the past two or two and a half years, the problem, unfortunately, is now bound with us as a long term one. Some short term solutions probably have been found but I think they are going to leave us with some very long term problems. I would like to set forth four areas that I think are very problematical - and these four areas all relate to government interference. Then I would like to mention a fifth area that causes me some difficulty as well. I might add that the areas of government interference that are causing the distortation are largely at the federal level in the CMHC area; an area of which I have some knowledge.

Firstly, the Assistant Home Ownership Program tends, by its very nature, to help people get into their own homes at very inexpensive prices with low down-payments. This tends to distort the real market and that

of course was the reason the program was put in - people just could not afford what the ordinary market was asking.

Secondly, its counterpart in the rental program - the Assisted Rental Program is in conflict with provincial government policy. On the one hand, the federal program is tending to increase rentals because the subsidy is being reduced over a period of time. Therefore, by necessity the rents must increase. The federal government body tends to increase the rents through encouraging the highest possible rentals for these units of accommodation. On the other hand, the provincial bodies are putting in rent controls and enacting more restrictive landlord and tenant legislation. These are pulls in the opposite directions on the existing housing supply. The new housing supply is also going to distort the rental market to an extent that I cannot really predict, but I do think that the distortion will have a long term effect.

The third point is the one that everybody has spoken about and that is the zoning procedures such as the ones that are with us in Winnipeg. I am sure that when a person has a plan for land development but cannot bring that plan to market, within the confines of existing market conditions, in less than a year - except for R 1 land which is zoned for single family attached or semi-detached housing - that person is going to be reluctant to make a commitment. When the market conditions a year down the road are not known, I think that there will be a lot of uncertainty which in turn, distorts prices even further because people will pay inflated prices for land which is zoned, serviced and ready to go.

Fourthly, there is government interference through their agencies. For example, in Manitoba, the Manitoba Housing and Renewal Corporation has,in my view, some very bad policies which tend to reflect that only 'the big' are to work for them. That observation leads me directly to my fifth point. Housing, per se, is an enterprise of 'bigness'; only the very big can provide housing and that tends, necessarily, to lead to monopoly. Bigness has the ability to buy land, to carry land, to get bonded (even for Manitoba Housing and Renewal projects, not everybody is bondable for large or even medium sized projects) and to borrow. Lastly, and it is unfortunate, but I think there is a substantial amount of corruption in society. The corruption takes place, in my view, at the large corporate level. All these things tend to result in monopoly and very large profits in the housing/building industry.

John McGuire

Those are interesting statements. I would like to respond to some of them but I will wait and see if someone else wants to.

Ron Keenberg - Environmental Designer
IKOY Partnership

The housing industry especially the "For Sale" housing industry is very tradition bound in its approach. It is further hampered by codes and zoning which are again tradition bound. Do not misunderstand me, it is not the industry. The industry has been making a little advance here, in a better kind of a window, or there in a better kind of a door. It is the builders who are the tradition bound people. They are not willing to

try new ideas. Yes, they are investing a great deal of their own money and yes it would involve some gambling but the gingerbread they now sell is a 'terrific number' but it costs a lot of money. For instance, the plans for our houses - people talk about the plans, they do not talk about the house as a three dimensional structure - must have certain sized rooms. Big rooms cost money. Are they necessary? They are not but the national building code (called for by CMHC who owns all the money) states that certain rooms have to be specific sizes. We are not sure but probably only the Americans have bigger room standards than we do; in the rest of the world nobody has to sleep in a room that is as big as our code specifies. The fact that it is a standard does not mean that it is good; but many, many times it does mean that it costs money. It stops designers, architects, builders and industry from trying innovative approaches that would reduce the cost of housing.

Mr. Nozick has spoken admirably about zoning. Obviously it is a factor that is holding us back but I think the main area on which to concentrate in order to reduce the cost of housing is on our tradition bound attitudes. The builders and the funding institutions of our country and not necessarily the industry that makes windows, etc., must look to find more unique housing; housing that can solve cost ramifications. In many places there have been such experiments done on a satisfactory basis. However, it would call for a major educational change. The government would have to address itself to not telling people how to live but rather to telling how they might live and particularly, that it is not really necessary to live in the way we have been taught.

John McGuire

Thank you, I think your comments along with the other comments that have been made so far this morning - if you put them together - are rather interesting. I glean from what you have said that the major constraint to innovation in housing design and the layout for communities as a whole is government restraint - government rules and regulations. Then, if you recall, the gentlemen before you, criticized the existence of bigness in the industry and the fact that there are entry barriers to small people. And the gentleman before him had commented about the influence of technological change. Now the question that comes to my mind is 'do we want bigness or smallness'? Are the big highly monopolistic or oligopolistic structures that favour the survival of large companies better? Are the large companies more capable of nudging government to allow them to make changes? Are they more capable of amassing capital to do the more experimental things with less risk? Are they more capable of bringing in real changes or because they have power, can they sit on their hands and hold back? Can they in fact, as Galbraith or as I have mentioned earlier in the paper - manipulate demand by putting stuff on the market and saying to the public 'that is what is available to you - take it or leave it'? Is one alternative the breaking down of the entry barriers and having many people going in and doing what they like? There would probably be a high level of bankruptcy involved too. Does that atmosphere create an environment for real change and progress in housing?

Jim Guthrie - Planning and Program Analyst
M H R C

My basic comments to that has to do with your remarks in your paper. For instance, on page 13, you referred to the industry in Winnipeg as

being dominated by five large fully integrated companies, one of which is the government. That is flat out not true - if you are referring to the Manitoba Housing and Renewal Corporation there is definitely no integration there. Half of the MHRC is an agency which provides housing for a particular sector of the economy by commissioning private contractors, private architects and private builders. It usually buys open market land although it does have some land stocked away. It does not have materials capability and the land capability it has is minimal and is not likely to get greater. It is definitely not integrated in any sense of the word.

Now another point. You raised the question of whether or not these large firms manipulate the land market (on page 12). You first posed the question of Professor Barber - if there were no speculators, would land prices be higher and then you asked the question if there were lots of lots would that solve the problem? Well, it would not. Right now in Winnipeg there are supposed to be 3,000 fully approved lots out there and yet prices have not been significantly affected. Another thing that really gets my goat is in comparing house prices now and then. Not only have the prices gone up but the product we are getting is decidedly inferior. Houses are built with green lumber, they are held together with short nails on buffalo board which has no dimensional rigidity, the walls are stuffed with excelsior - fireproofed granted but it will all sink to the bottom in 10 years and then these houses will no longer be insulated not to mention reduced soundproofing. The product we are getting is basically junk for an outrageous amount of money. You just cannot raise the question - do the large firms have a negative impact - of course they do. You cannot argue anything otherwise.

John McGuire

When Mr. Remis read my paper yesterday, he made the same comment to me about MHRC. I said to him that it all depends upon what you mean by fully integrated. MHRC has land, it develops land, builds homes, rents homes. Maybe it is not fully integrated in the sense of some of the other companies but the question is largely academic I think.

Jim Guthrie

No, it is not academic; MHRC is not fully integrated. To be fully integrated means to control your own destiny and that is definitely not so in the case of MHRC. It is entirely at the mercy of the private market.

John McGuire

There are a few statements I would like to pick you up on. First of all, to argue that to be fully integrated is to control your own destiny is debatable. Perhaps someone else would like to grab at that. Second, in responding to the other statement that you made in reference to my comments on page 12, I would like to make it very clear that with respect to that question on speculation, I said only that one possible answer is that if there was an abundance of land there will not be any speculation. I was not saying it is my answer and I was not saying it is the correct answer but I was saying it is a common answer. There are other answers. In economics for instance, it is argued that speculation is basically buying

cheap now and selling in the future at a higher price. The reason for speculation is the belief that prices will go up in the future. Speculation thus has the effect of raising the present price up to what it is believed the future price will be, minus a discount for carrying inventory and a risk factor. So speculation is really just adjusting present prices to future prices. If there are factors which would raise the future price such as government regulations or a growing reluctance of farmers to sell their land, it would be expected that in the future the price would go up and thus people will speculate today by hoarding. I am not saying that the shortage of land is due to speculators. I am saying that it is one answer that is commonly put forward and the purpose of the answer that I gave - that speculators make no difference - is that perhaps we should focus on the source of speculation rather than on the speculators themselves. With lots of lots, people could still speculate but the effect on the current price of land would not be great.

Don Adams - Manager
Brandon Housing Authority

The city of Brandon is currently working on a 10 year development plan and has come up with some very interesting information. The title of this morning's talk was "An Economic,Demographic Overview". I think in the Brandon study there are some tables that are interesting. They relate to the cost of a single family house in Brandon in 1975 and indicate that you have to be making about $16,000 a year in order to afford a house. Then if you look on the tables for household income distribution, you find that 98% of the household heads age 24 and under

of that 77% of household heads age 25-64 make less than that amount, less than $16,000. My question is "Where is this majority going to find shelter?"

John McGuire

My question in addition to that is what can we do about the system (about the people that keep producing the homes and the people that are regulating the building of homes). What can be done to improve the system that co-ordinates this activity? That is the basic question. Related to that is the other question that I posed when I was talking about the cultural demands; what are the determinants of cultural demands? Maybe we, as a society, are asking for the moon and we cannot have it.

John Selwood - Manitoba Environmental Council

First of all, I would like to congratulate you, Mr. McGuire, because I feel you do try to get to the fundamental issues which are questions of supply and demand. I do not think there is any doubt about the wisdom in pursuing any particular witch-hunt or of denying that government institutions have attempted to stimulate demand in many, many different areas. (I think we are all quite well aware of most of them.) However, one thing which has not been mentioned is immigration policy. Obviously, if you increase the numbers you increase demand. Also, I think that the government has, to a large extent, attempted to cater to the rising aspirations of the population. Undoubtedly, rising aspirations have played a tremendous part in the sort of increase in prices that we have. On the

other hand, government, industry and individuals - not necessarily associated with big business - have all contributed towards inhibiting supply. There is a long list that we could use if we wished to point the accusing finger at industry or government. For instance, I notice that Mr. Denton admitted earlier today that his business will inhibit the rate of building homes if they do not see the market being available for those homes and I cannot blame him one bit. Nevertheless, the fact is that BACM is a major builder and Engineered Homes is a major builder and, of course, their decisions have an impact on the market. The question you put is "Should we do anything about it?" In some sense I do not think we should do anything about it because it seems to me that it is only in crisis conditions that there is any reaction to anything at all.

John McGuire

Before you leave the mike I would like to see if you want to react to this statement. I find it rather interesting that you are with the Environmental Council and yet you say that one of the problems is that government is constraining development. I thought one of the biggest problems that we supposedly have is that there are people who want to build on one side of the fence and there are people who do not want to build on the other side; and you are 'on the other side' - is that not correct?

John Selwood

I am not sure that I follow your argument - perhaps I should also admit to the fact that my membership on the Environmental Council is because I am from the academic area. I do not find that I am always and necessarily in accord with perhaps the majority of viewpoints on the Environmental Council. Personally,I feel that if there is to be an increase in the supply of housing and at the same time a stabilization or reduction in the price of housing, then we have to reduce our aspirations. This may run counter to members of the Environmental Council as well as many other people in and around the market. Certainly one of the inhibiting factors I think put forward with some justification by the development people and by local government is that people who themselves are in comfortable housing do not wish to see any reduction in housing standards. It is not just a question of those actually in the market then, or even that governments are institutions; it is the people those institutions represent.

Leonard Remis

Well ladies and gentlemen, I think we are fairly launched on what is going to be a voyage of discovery. What we will find at the end of our travels today I do not really know but I think it is appropriate now that we stop for a few minutes for some coffee. Thank you very much.

2.

GOVERNMENT PLANNERS - CATALYSTS OR BOTTLENECKS?

Panelists:

Peter Anderson
Assistant Branch Manager
Central Mortgage and Housing Corporation

David M. Sanders
Deputy Minister
Urban Affairs

John A. Pelletier
Senior Planner
Department of Urban Affairs

Donald I. MacDonald
Chief Commissioner
City of Winnipeg

THE FEDERAL PERSPECTIVE

By: Peter Anderson

On behalf of C.M.H.C., I would like to thank the Economic Development Advisory Board for inviting me to participate in this seminar with such distinguished panelists.

If you have by chance picked up a copy of the National Housing Act you will note that it is an Act "To Promote the Construction of New Houses, the Repair and Modernization of Existing Houses, and the Improvement of Housing and Living Conditions." This,in effect,sets out the terms of reference for C.M.H.C. to carry out the policies of the government of Canada with reference to housing and urban development and to some extent rural development.

Generally speaking, Canadians have always been and still are among the best housed people in the world. Many of them bought their houses years ago at prices and interest rates which are now well within their means. Many of them in relative terms, have profited by inflation. If they want to move up in the housing market ... from a three bedroom to a four bedroom house, from a single garage to a double garage ... they have a substantial equity to re-invest. They represent a force in the market which can drive prices beyond the reach of other citizens who are in real need.

Canada's housing problems are to some extent the creation of an affluent age, a by-product of prosperity.

In every major urban area in the country the price of housing has accelerated beyond the financial means of people who would normally be able to fit the purchase of a home into the family budget. Federal and Provincial programs have been introduced to help these citizens with what is essentially a cash-flow problem, and this effort will be stepped-up, over the next four years in order to meet our housing and anti-inflation goals.

The Federal program announced last fall and enacted into law in December 1975 is intended to deal with three major housing objectives:

First: To increase production of more moderately-priced housing units for both sale and rental purposes

Second: To enable Canadians to afford the housing that is produced

Third: To prevent people who are already well housed from taking advantage of the situation to improve their accommodation and economic position beyond any reasonable need

Housing is also an important factor in the Federal attack on inflation and the new housing initiatives are already playing an important role not only in human terms but also in economic terms through the creation of employment opportunities while restraining inflationary pressures.

It is a sad commentary for our society that on the demand side of the housing equation, the dream of owning one's own home is becoming a wish-dream for many. More than half of Canada's families cannot afford to buy a new house. At the same time rents have risen so sharply that all of the provinces have had to introduce some rent control measures. Many observers believe these measures to be counter productive and argue that rents are

still not high enough to meet operating costs. It is certainly true that the capital costs of supplying new apartments cannot be justified on the basis of investment returns or rental cash flows and something had to be done to make new investments in rental housing more attractive.

I think we all know that good housing is essential to social stability. It gives us that healing sense of privacy, a sense of ownership, of belonging. Lack of housing is a factor in the rising rates of divorce, crime, drug addiction, disease, and unemployment. It is a major preoccupation for the aged and a critical element in the frustration of native people.

People often see their home as their own outer shell. It integrates their personal relations, it links them with society. Lack of decent housing on the other hand damages their self-respect.

The housing problems which confront us are complex and not amenable to easy or simple solutions. Anyone who believes otherwise must surely be naive. Nonetheless the federal government has had to address itself to these problems. They have had to devise a cohesive legislative package capable of at once stimulating the economy to create new jobs and investment opportunities while restraining inflationary tendencies and pressures on the supply side of housing and at the same time, supplying people with the houses they need at prices and rents they can afford.

The package developed last year and now administered by Central Mortgage and Housing Corporation is called the Federal Housing Action Program.

It basically addresses itself to three major concerns:

1. The Supply Problem

The program commits the federal government to stimulating the production of 1 million new housing units in the next four years. The target for 1976 is 235,000 starts and indications are that this figure will be surpassed.

2. The Affordability Problem

The strategy here is to restrict the credit that is currently available for high priced housing, hold the line on rent and price limits under present federal housing programs and put housing expectations into a reasonable perspective.

To accomplish these purposes, three new or significantly amended changes were made to the Act:

1. The first of these is to provide incentives to municipalities to encourage them to supply or zone land suitable for medium density housing. Grants of $1,000 per unit are now available for new dwelling units which receive building permits between November 1, 1975 and December 31, 1978 provided they are built for permanent residency, are self-contained, meet the size and price criteria established for the new AHOP and Assisted Rental Programs, are connected to Municipal Piped Services, and have roads to a minimum gravel surface.

2. The second major component involved the Assisted Home Ownership Program which was significantly changed and expanded to help anyone who wants to buy moderately-priced housing, including young couples who want to establish

their own home before starting a family. Interest free loans are provided for the first five years, in order to bring monthly payment of P.I.T. to reflect an effective interest rate of 8 percent. In other words, real help with carrying costs. When the time comes to pay it back, a number of options are available so that in no case will a purchaser be required to spend more than 25 percent of his/her income.

For the family with children who would otherwise be paying more than a quarter of their income for housing, we give them up to an additional $750 a year to keep their payment down to 25 percent of their income and they do not have to pay that back.

In addition to the federal assistance, Manitoba has complementary legislation so that if families receiving all the federal assistance still find themselves with gross debt service ratios more than a quarter of their income, they may qualify for additional provincial assistance of up to $300 per year south of the 53rd parallel and $500 per year north of the 53rd parallel. For people buying their first house and qualifying for Federal Grant Assistance (not loan assistance) the province may make capital grants of $300 (or $500 north of the 53rd parallel) to help with such items as moving costs and legal fees in connection with the purchase of the new home. The maximum house price acceptable under this program is now $37,500.

3. The third major change involved amendments to the Assisted Rental Program. This program,which was introduced early in 1975 in response to the dramatic declines in the construction of rental housing that had taken place in earlier years, was subsequently modified later in the year.

The intention is to supply builders and entrepreneurs with financial assistance to bridge the gap between the economic rents which are needed to justify construction and operation of new rental housing, and the market rents which they may actually expect to receive.

Assistance takes the form of an interest free loan of up to $1,200 per unit per year for at least 10 years.

The actual assistance loan is determined by the number of units in the project, the cost of construction, the mortgage interest rate, operating costs and the average rent for similar accommodation in the area where the builder intends to construct the new units.

The assistance decreases annually as prevailing market rents rise so that eventually all of the assistance is withdrawn and the project is able to generate enough cash flow to begin paying back the loan.

The significant advantages of the program are that new accommodation is supplied at affordable rents to the tenants and the investor is able to obtain a loan based on the cost of production, a competitive return to his equity and protection of his original equity plus significant tax advantages, and an interest free loan for 10 years with provisions to extend the term if necessary.

A number of other minor changes were also introduced to enable municipalities to obtain loans for water treatment facilities and mains to open up land for housing and ,of course ,the other major instruments needed to facilitate the supply or support of public housing, co-operative housing,

residential rehabilitation, rural and native housing and non-profit housing assistance. Together with the provincial/municipal assistance programs affecting municipal infrastructure, land assembly and neighbourhood improvement that are still in place there form an impressive list of federal housing options and initiatives available under the National Housing Act. And of course the regular insured loans through approved lenders for home ownership of both new and existing houses and for non-subsidized rental projects continue to be the cornerstone of the Act and operate to supply the major portion of all C.M.H.C. activities.

What the new amendments have done is to simply augment an impressive range of housing options by the addition of three very important new tools,

1) inducements to municipalities to supply suitably zoned land for medium density housing,
2) assistance to homeowners in meeting mortgage payments, and
3) assistance to enterpreneurs and developers seeking to supply moderately priced new rental accommodation.

Legislative changes provide the framework within which our housing options can be exercised but of course accomplish nothing by themselves. If they are to be effective instruments they must first by understood and then implemented by those forces which together combine the responsibility, authority, financial resources, building, selling and management know-how necessary to translate them into a real housing program capable of realizing the federal target of one million new, affordable well built homes in the next four years. Obviously the program is an ambitious one and amounts to

a call to arms to marshall all those elements of our society which have roles to play on the supply side of the housing industry.

What is really needed is nothing short of a concerted and co-operative effort by all levels of government, federal, provincial and municipal and the financial community which will have to supply the bulk of the money and the building industry which will have to put these new homes on the ground, and the real estate industry which will have to supply the selling and management expertise necessary to deliver the product to the consumers. If any of the major agencies involved whether in the areas of politics, finance, construction, sales or management fails to come to the party or to play his part or pull his weight, then there simply will not be a party for anyone.

A quick review of the activity in Manitoba under NHA to the end of October would indicate that many of the programs under the NHA have been effective in the province. However, we must continue to be alert to changing circumstances and must alter accordingly. For example, a recent report dated July 20, 1976 indicated the average incomes of buyers in the larger cities varied from $18,800 in Halifax to $26,500 in Quebec city. In Winnipeg we had a median figure of $21,100 which was not too different from Vancouver's $21,600 or Toronto's $23,000 or Ottawa's $24,400. At the same time the latest word from Statistics Canada on family incomes is that in 1975 average family income in Manitoba was $14,759 and the median family income was $13,795.

The contrast between the $20,000 to $21,000 incomes for which houses are being supplied and average family incomes of $13,000 to $15,000 probably accounts for reported build-ups of inventories of expensive new homes in many parts of the country and sluggish sales among re-sale houses over about $45,000. On the other hand, buyers are hungry for A.H.O.P. houses ($37,500 or less) which are being snapped up as quickly as builders can supply them. If the top end of the market is soft why are not more units constructed for the middle range of the market where buyer demand seems to be strong? Well, why not? The maximum price is realistic and most builders are able to produce within that constraint. At the same time there is generally a plentiful supply of mortgage money about.

The only explanation that we find is that we need a steady and reliable source of suitably zoned and reasonably priced serviced lots.

Despite this, there have been 2,840 starts on single and two family dwellings to the end of October in Winnipeg and an additional 2,683 row houses and apartments making a total of 5,523. This is some 1,302 more starts than were indicated for the same period last year. Of these totals, some 235 units were designated as A.H.O.P. and some 500 units were designated under the assisted rental program with an additional 134 units in process.

I think it is fair to say that we must expect to see higher density housing, more semi-detached and garden court town houses and apartment developments, and the use of the condominium concept which we feel is becoming a normal and accepted feature of the housing market.

Through the initiatives of the federal government, CMHC has undertaken a significant housing action program. We have established many common concerns and objectives and have designed programs to meet them. However, not all needs can be necessarily met at one time, and as time and circumstances alter cases, we must be prepared to alter accordingly. It is through forums such as this that we can receive the necessary feedback and information on our programs and policies. Thank you for inviting me.

THE PROVINCIAL PERSPECTIVE ON WINNIPEG

By: David M. Sanders

Mr. Chairman, Ladies and Gentlemen:

The Department of Urban Affairs is charged with the responsibility of administering the City of Winnipeg Act and of co-ordinating and seeking to improve the performance of the Provincial Government as a whole in its relationships with the City of Winnipeg. Urban Affairs has only a small staff of co-ordinators whose primary concern is to develop and maintain an appropriate legal, financial and administrative framework for the determination of public policies and the delivery of public services in the Winnipeg area.

The present framework which has evolved since the creation of the unified City of Winnipeg almost five years ago is clearly in need of a full-scale review, particularly with respect to housing. In the immediate future the Department of Urban Affairs will be involved in four major policy projects which may be expected to have an impact on housing:

1) The Review of the City of Winnipeg Act

During the past year a Committee headed by Judge Peter Taraska carried out an extensive review of the operation of the City of Winnipeg Act and the activities of the City thereunder. The Committee's report was presented to the Provincial Government last month and is now being considered with a view to the introduction of appropriate legislation in the spring. If the provisions of the Act have contributed to our housing problem, then the opportunity now exists to do something about them.

2) The Review of the Greater Winnipeg Development Plan

A full-scale review of the existing Greater Winnipeg Development Plan has been initiated by the City and will be carried out with the financial and technical assistance of both the federal and provincial governments during the next two years. If the obsolescence of the existing Plan and uncertainty as to the City's development strategy have contributed to our housing problem, then the opportunity now exists to do something about them.

3) Adoption of the City's Five-Year Capital Development Program

The City is attempting to reach agreement on a five-year capital development program which will require significant federal and provincial financial participation. If the lack of a multi-year commitment to the extension of public services and facilities has contributed to our housing problem, then the opportunity now exists to do something about it.

4) Commission of Inquiry into land development

The Provincial Government has recently announced its intention of appointing a Commission of Inquiry into land development, in response to a request from City Council. If certain aspects of the land development process have contributed to the housing problem, then an opportunity now exists to reveal and do something about them.

There is, of course, a fifth major policy area encompassing the whole range of government housing programs administered by the Manitoba Housing

and Renewal Corporation. The Honourable Leonard Evans will be addressing you on this subject at lunch time today.

Mr. Chairman, I have mentioned some of the opportunities which exist to do something about our housing problem and I am looking forward to hearing suggestions and comments from the very knowledgable group assembled here today.

In answer to the specific question asked of this panel, whether government planners are catalysts or bottlenecks, I would offer the following opinions:

1) The behaviour of government planners whether bold or timid, tends to reflect the wishes of elected officials, who tend to reflect the wishes of the general public. If the citizens of Winnipeg have reached no consensus on a general approach to the future development of our City, then one can hardly blame the planners who serve them for proceeding cautiously.

2) Planners serve as both catalysts and bottlenecks, depending on the situation. It is a matter of opinion as to which type of behaviour is in the public interest on a given matter.

3) In any case, governments, and therefore their planners, have a permanent interest in regulating and/or participating in many decisions pertaining to housing in order to encourage the achievement of public objectives such as the minimization of public service costs, the rehabilitation of older housing, the equitable distribution of public amenities and services, the

protection of individual citizens from arbitrary changes in land use, and the stabilization of economic activity and employment, to name a few.

4) Finally, I would suggest that one of the most important requirements at this point in time is the achievement of a significant degree of consensus among the public on a fundamental strategy for development of the Winnipeg area, which can serve as a reasonably firm guide for both public and private decision-making. I suspect that we are now paying dearly for both the unnecessary duplication of some development options and the complete loss of other options.

Thank you.

PROVINCIAL PERSPECTIVE ON URBAN HOUSING

By: John A. Pelletier

The subject matter for our discussion this morning should not create an identity problem for the panelists, or for that matter, for some of the participants in this seminar. I believe that most of us are, at some time or other, acting as catalysts in the stimulation or promotion of an idea or project related to some facet of housing. There are those other occasions however, when we have to throw some cold water on certain proposals, and in that sense, we are bottlenecks. As the saying goes "It all depends on whose oxen is being gored". Sometimes the machinery of the development process requires a slight touch of oil, such as a modification of the servicing standards or the introduction of a zero lot-line concept. However, the spectre of uncontrolled development may indicate a need for the application of some sand to slow down those spinning wheels, and thus the intervention of a senior government in the process.

In the limited time available to this panel, my discussion will focus very briefly on only two aspects of the housing problem as it affects urban communities other than the City of Winnipeg: the municipal development plan and the subdivision of land. The provision of housing, whether by the private sector or the government agency, involves the activities of the municipal council and - the candidate of our discussion - the planner. For some of the staff of the Municipal Planning Branch, their prime function

is to advise councils and render assistance in the preparation of development policies suitable for the community. Just as any large corporation, the municipality cannot operate sensibly without making a set of assumptions concerning the future, whether they turn out to be perfectly prophetic or not. These assumptions are flexible and must change in reaction to changing conditions.

The new Planning Act which came into force in January of this year, provides,it is hoped, the means by which councils will be able to make better decisions. The identification of needs, the formulation of programs and the continuing process of reviewing decisions should provide a more rational basis for the development activity within the community. For maximum effectiveness, these programs will have to be related to available municipal resources. Thus, one may well contemplate the district planner as a catalyst in the preparation of the development plan and its allocation of land for a variety of housing needs. On the other hand, proposals which would tend to require the extension of services beyond the projected limits or place an undue burden on the financial resources of the municipality, would likely receive lengthy consideration by council and our planner is now a bottleneck.

The subdivision of land and the availability of lots for building purposes does not appear to be as serious a problem for those urban centres outside Metropolitan Winnipeg. Since the introduction of subdivision control on January 1st, 1976, there has been a feverish activity in the business of dividing land. Certain areas will have an apparent oversupply

of land by the spring of 1977. For instance, the October 27/1976 issue of the Steinbach Weekly indicated that there were 280 vacant lots within serviced areas, enough to last several years at the present rate of growth. The town will have a further 300 serviced lots coming on stream in the spring. Such large reserves of land should reduce subdivision action within the town during the coming year and should also have some influence on the price of lots within the area and ultimately affect the price of the house. While this level of subdivision activity is not to be found in all our larger urban centres, the data for the six month period, January 1st to July 1st indicates that builders should have a reasonable supply of serviced land available by next spring.

A MUNICIPAL PERSPECTIVE

By Don MacDonald

I appreciate the invitation to participate in this seminar on "The Housing Problem in Manitoba: What Can be Done", but I want to confess at the outset that I have no expert knowledge of the housing problem and consequently am handicapped in dealing with the "what should be done" division of the subject.

More particularly, this panel deals with the subject "government planners -- catalysts or bottlenecks" and I want to touch on that subject briefly before taking the opportunity to expand a little on the whole problem as I see it from where I sit. Let me emphasize that any views I express are my own and do not necessarily reflect City policy.

The bureaucracy at all levels of government is today a popular target, sometimes justifiably so. In their relationship to this particular problem - that of housing - they are, as the subject of this panel suggests, faced with two mutually contradictory charges, that is of being both catalysts and bottlenecks. The development industry, or at least some of its spokesmen, are prone to attribute the high cost of serviced land and of housing and the other assorted ills which beset their industry to the long drawn-out processes of approval which they are required to observe in the development of their lands. "Take off the shackles" they say, "Give us a free hand and we will flood the market, housing starts will boom, prices will decline, etc.,etc." The same issue of the newspaper which conveys this type of message to the public will probably contain an article quoting someone from academic

circles or some other observer on the fringes of the real world to the effect that the civic bureaucracy, and the planners in particular, are putty in the hands of the land development and housing industry and that high land and housing costs are the result of a mafia-like plot on the part of a few large monopolistic organizations whose "expediters and manipulators" can put anything over the civic bureaucracy.

One of these accusations might be correct but they cannot both be true. My feeling is that neither of them has any validity and that they only serve to obscure the more important and fundamental issues which face us along with all the other major cities of this country today in dealing with the problems of urbanization of which housing is only one, but no doubt a most important one.

You will gather that I do not regard the subject matter of this panel as of any great consequence as compared to the larger social and economic issues which are involved in the processes of urbanization and I do not want to waste what time I have available in pursuing a topic which has no real bearing on the subject matter of this seminar. The fact is that the planners are neither catalysts nor bottlenecks. They are simply civic employees trying to do the best they can within the framework of procedures which are laid down by statute and which are based on the premises that the development of the City is one of the highest political responsibilities of both the City Council and the Provincial Government and that it must be carefully controlled and that the rights to be heard of concerned citizens and others having a

vested interest in urban development are going to be safeguarded. This is not to say that the processes cannot be improved or speeded up but they are going to continue to take time. Development proposals and zoning changes are too important to be the subject of "hurry-up" procedures to the jeopardy of the public interest. The development industry should recognize this fact and provide sufficient lead time for it in their corporate planning.

The problem we are all trying to cope with arises from the fact that Canada is becoming increasingly an industrialized and urbanized country with the bulk of our population and much of our wealth-producing activity concentrated in our major urban centres. In our own case, Winnipeg, where our population since 1951 has grown by about 70% it has been necessary to produce housing accommodation and public services for roughly 230,000 additional people. In the process we have seen the extent of our urban area doubled. Obviously a great deal of new land has been developed and occupied at significantly lower densities than those prevailing earlier.

Allow me to make a personal observation at this point. As I travel around the suburban communities of Winnipeg, I am constantly amazed at the high standard of housing accommodation that has been built and the equally high standard of public and private amenities that exist. I am also reminded of a recent study which we carried out that showed the construction cost of a typical new 1,200 square foot bungalow in ten Canadian cities; Winnipeg had the lowest cost. Somebody must have

been doing something right. I suspect our middle and upper income groups are very well housed. I also feel that the Provincial Government has, quite rightly, concerned itself with expanding housing accommodation for the lower income and the elderly, although no doubt much remains to be done in those areas.

Perhaps more important are the questions, what we have ahead of us and where do we go from here? Time constraints are such that any observations on this head must be brief and I realize that I run the risk of oversimplification.

The provision of housing in our society results from complex interrelationships of all three levels of government and the private sector. It is essential that they move in parallel paths if optimum results are to be achieved and I realize that this is easier said than done.

The City has the most direct relationship with the development industry and I will only attempt to refer briefly to that aspect; Provincial and Federal representatives can speak for themselves. While the City and the developers have a general common interest in seeing that housing accommodation adequate to the needs of the City's growing population is provided, their interests in detail do not always coincide. The City must provide the capital investment in basic services which give land an urban development potential and, what is more important and more costly, must bear what might be called the operational costs of the new communities, subsequently created in

perpetuity. The City, therefore, tends to take, or should take, a longer range view of the economics of land development than the developer, who is essentially a bird of passage -- having done his thing and recouped his investment, and hopefully made a profit, he moves on to newer, and in this case, literally greener pastures. This is not said in any critical sense but to indicate that at times, differences of opinion about the thrust of urban development as between the City and the developers are bound to occur.

I mention this because I believe we are now at a point where newer and somewhat firmer initiatives in planning will have to be taken by the City and there are some compelling reasons why the effective control of the direction of urban development should pass from the private to the public sector. In the last five years that part of the cost of operating the City which falls on municipal tax base has doubled. The main influences have been the effect of the costs (capital and current) of serving new areas and growth and primarily,of course,of inflation. At the civic level of government we are the victims of inflation, but we cannot influence it. Irrespective of inflation we do have a responsibility to develop patterns of growth which will be more economical to serve than those produced by past patterns of development. We must make more efficient use of our urban land. In this objective we should have the support of the development industry since it appears that the costs of conventional suburban single-family housing have now escalated to the point where such accommodation is available to a progressively smaller percentage of the potential market for new housing accommodation.

At the same time that the economics of low density suburban housing construction appear to be beyond the financial capacity of the majority of potential home-owners, the capital costs of servicing land on the periphery of the City and of providing a complete range of conventional muncipal services to these new communities is placing severe stress on the City's financial capabilities and is in part, at least, the reason for sharply increasing tax levies on all citizens.

At the City, we have for the past year or so, been seriously attempting to forecast our capital budget requirements and our current operating budgets over the next two five-year periods in order that we can have some intelligent opinions on which to base our future planning. Some of you may recall many years ago the well known journalist Lincoln Steffens returned from a visit to the then new state of Soviet Russia with the ecstatic opinion "I have seen the future and it works". As a result of our projections we could offer a revision of that opinion, for we have seen the future and it does not work.

Our projections of the annual capital investment to maintain our existing physical plant and to provide the basic service systems required to permit the bulk of the urban growth to take place on new lands would require capital borrowings of about $100 million annually for the next five years.

The very best financial advice we can obtain indicates that the City should not borrow in excess of $50 million annually if it is to pursue a responsible financial policy and safeguard its ratings in the financial

markets. This refers only to our ability to debenture and says nothing of the impact on the current budget of non-capital but labour intensive services such as police, fire, transit, recreation and housekeeping services all of which must be expanded to serve these new communities.

I think it can be demonstrated that the new low density suburban residential areas do not provide a sufficient tax return to pay the costs of servicing them and must be supported by the tax base of the older areas. This raises the question that should concern all of us; are the generally poorer people in the older areas of the City being faced with tax increases necessary to support the residential life style of middle and higher income groups in the newer areas of the City? I cannot categorically say that this is so but I strongly suspect that it is, and without the Provincial tax rebate program it would certainly be so.

Some people react to this situation by suggesting that urban growth can somehow be curtailed or diverted someplace -- any place else, as though the economic forces which are behind the processes of urbanization and industrialization could be shifted into reverse. This is not a realistic approach to the problem. However, the basic economic circumstances facing both the public and the private sectors require a change in the direction in which the housing industry has traditionally been moving, or at least a shift in emphasis. I am not naive enough to suggest that the momentum of peripheral development can suddenly be either arrested or reversed. No doubt, we will continue to develop low

density single-family housing for those who can afford it with the assistance of whatever ingenious new subsidies the Federal Government can devise, but we must look more carefully at the options. Some of these may take the form of higher densities and a variety of innovative possibilities in housing construction and subdivision design. There are many people here far better able to deal with those possibilities than I am.

I would like to touch briefly on what I consider to be a desirable course of action -- that is the possibility of accommodating a significant part of our anticipated future population increase in what is referred to as the inner city. The compelling reasons as I have referred to earlier are that we must look to future life styles in residential accommodation and urban development generally that will be less wasteful of our land, capital and energy resources. In particular, we must start to plan our cities with the urban transportation component more firmly identified. For the past twenty-five years the configuration of our city has been based on the assumption that private means of transportation will be readily available, indefinitely to most people. The result has been congestion, overloading an inadequate street system, decay of the central city and what is now inexcusable, embedded transportation habits which are most wasteful of non-renewable resources.

To develop residential environments in the central city that will attract people to live there will be difficult but not impossible. We are aided by the fact that there are large tracts of land in such poor, substandard or obsolete uses that their redevelopment is well within

the range of possibilities open to the City in the short-term future. You are all aware of the proposals of Great West Life and C.N.R. to re-develop the large mass of central area land known as the East Yards and a substantial housing component is part of the re-development proposals. I believe the City should give all possible encouragement to this undertaking. The possibility of removing the transfer track along the West bank of the Red River along with obsolete industrial uses associated with it and extending the influence of the Great West Life - C.N.R. re-development scheme as far north as the Disraeli Bridge offers further opportunities for large scale central area renewal with a significant housing component.

An even larger opportunity awaits Civic, Provincial and Federal initiatives. Some years ago the tri-level partnership acquired the Midland Railway lands in central Winnipeg. These lands have now been cleared and are being re-developed for housing and recreational purposes. To the west of these lands lie the City Yards -- a low grade industrial use which if carried on by a private industry in a residential area would no doubt be the subject of political harassment. The City must now either make a considerable capital investment in modernizing these facilities or remove them and that should not be a difficult decision to make.

Even more important and just to the north of the area referred to above lies the C.P.R. Yards. These facilities are obsolete by present day standards of rail transportation -- they are both locationally and functionally obsolete. The removal and re-location of the C.P.R. Yards presents the opportunity, along with the re-development of the Midland

Railway and the re-location of the City Work Yards, to reclaim the only true slums in Winnipeg. The large area of land involved presents an opportunity for the development of a new central area residential component large enough to create its own attractive environment.

As I see it, some of the benefits which would flow from the re-development of the obsolete central area land masses described above are as follows:

1) Some of the pressure would be removed from peripheral development and thus the inflated expectations and inflated costs of suburban land might well be the subject of some re-appraisal.

2) By redirecting residential development into areas which are either serviced or are easy to serve, the City's requirements to service urban growth should be significantly reduced.

3) A substantial amount of housing accommodation would be created in close proximity to major centres of employment, i.e. the downtown area, the Health Sciences Centre, the St. James and Inkster Park Industrial areas.

4) The home-to-work transportation problem would be significantly eased, the use of public transit encouraged and the urban transportation problem beneficially affected.

5) The traditional barrier between the central and northern sectors of the City would be removed.

6) The areas of the worst urban blight in Winnipeg would be removed.

7) The renewal and re-development of these large areas, centrally located, would give a great impetus to the revitalization of the City's central business district.

8) Unlike suburban development, where the capital costs of servicing the land must be borne by the City, central area re-development such as referred to above can be financed in part at least, by senior governments through such programs as rail re-location, neighbourhood improvement, and other innovative programs.

In order to avoid misunderstanding, let me reiterate that I am not suggesting that all future new residential development can be accommodated in the central city, but that a substantial part of it can be so accommodated with results which I am convinced would provide great social and economic benefits to the City at large.

Again, I apologize for straying from the strict subject matter of the panel, but I welcome the opportunity to do so.

DISCUSSION

Leonard Remis - Chairman

Thank you, gentlemen.

I think what we have heard so far from this panel does have a pattern. We started with the general or federal perspective and we have come to the specific or the municipal perspective. However, it would surprise me to find that the planners position is so definitive that it cannot be challenged. The floor is now open for some comment, questions or statements.

Grant Wichenko - Research Analyst
Housing and Urban Development
Planning Secretariat of Cabinet

I would like to ask Mr. Anderson about AHOP. From what I understand CMHC did at one time spend 25% of its budget on AHOP. I remember reading in a book by the Fraser Institute on rent control that one of the authors claimed that we have an income problem, not a housing problem. It seems to me that AHOP is doing nothing really to affect the supply of housing; it just influences demand. All AHOP does is to set the ceiling and then prices simply adjust upward to reflect the subsidy that CMHC is giving. Is there not some way of diverting those funds from affecting demand to affecting supply?

Peter Anderson

I think that the Assistant Home Ownership Plan, in the view of the Government, is in fact meant to basically affect supply. At the same

time it is, in fact, generally designed to deal with the inflationary factor. The ceiling price for houses in AHOP less than a year ago was $36,500 or $36,700 (I can not remember exactly) but it has now been raised to $37,500. That figure is based on the lending value not the developer's price of a housing unit. The lending value is determined by Central Mortgage and Housing for a unit that is basically one of modest or moderate accommodation. The key is - and the Government has taken the posture - that the goal is to increase the supply of units and this policy - AHOP - is one of the methods by which CMHC has chosen to do so. In the new legislation in 1975 there was a decided effort, a decided point to attempt to limit not only the funds from CMHC but the funds from the private sector as well allocated to the higher priced middle income units, in favour of the moderate to low income units.

Grant Wichenko

I do not have the figures in front of me but there are a very few houses that fall within the CMHC guidelines. Now would it not make much more sense to put money either into non-profit and co-operative housing (a real initiative could be made into those areas) or even into existing housing - AHOP used to apply to existing housing.

Peter Anderson

Again, the fact that this plan does not apply to existing housing relates to the Government's posture of increasing supply. However, the

budget this year in its entirety for the Assistant Home Ownership Plan has come from the private sector. Generally over the last six years, the corporation's funds have (basically beginning in 1970 when it was known as the $200 Million Program) been put into the area that is normally referred to as 'social housing'. This area includes non-profit housing and the co-operative housing. The Government has encouraged and is encouraging the private sector to put its funds into the areas covered by AHOP so that the funds from the capital budget of the CMHC can be utilized for those program areas that are not normally dealt with by the private sector.

Now the problem that you have alluded to is that the number of low priced units is too small. As I mentioned in my presentation, there have been 235 eligible assisted home ownership units started todate We have examined this problem and the indications from talking to our friends and colleagues in the industry - the developers and builders - are that they tend to support our findings. It appears that there is not a sufficient supply of moderately priced or modestly priced serviced land available on which to develop AHOP housing. When you must use a lot that is priced at $16,000 to $20,000 there is not much room left to build a house costing $37,500 in total. This is one of the major problems.

Grant Wichenko

The city has passed its RPL by-law. I do not know if it has the provisions to up-zone existing zoned land very quickly but that would certainly be one thing to help the situation. The other thing is this:

"What has CMHC done in relation to modifying the building code or studying the building code to adopt a more flexible set of performance standards? Has there been any studies done by CMHC like that?"

Peter Anderson

No,not for a general directed reference like that. However, the building code is constantly under review from the point of view of products. When representations are made by industry for changes,these changes are examined in light of the attempt of the code to provide minimum building standards. I think that is one of the things we have to bear in mind about the national building code - it provides for a minimum standard.

Grant Wichenko

My last question is directed to Mr. MacDonald. If there is a shortage of serviced land would the city be willing, if it had enabling legislation to use either tax measures or other kinds of measures, to force the conversion of serviced land. Now such action may sound like the taking away of rights and I suppose one could say that it is socialism or coercion. However, inasmuch as you spoke of the idea of greater public involvement, would you comment on that kind of measure?

Don MacDonald

I am not sure I understand the question very well. Of course land can be re-zoned from what might be described as a lower use to a

higher use; that normally comes about as a result of an initiative on the part of the land owners. I think you would have to get into a more specific set of situations before anyone could answer that properly. I am not really sure I understand the question.

Grant Wichenko

The question essentially is this: instead of acting only with a response mechanism, that is reacting to the developer's initiative when he comes to the city with his plans, the City should have instead, an active mechanism. For instance, the City could say,in reference to a particular area,this land should be developed and we are going to take this piece of land now, regardless of who owns it or whatever, and re-zone it from agriculture to R1 or RPL. The City would have now forced the situation, that land is now worth more. Instead of waiting for the market to respond the City would be taking an active processing role in the conversion of land as opposed to the passive role it has been adopting.

Don MacDonald

I do not want to cop out on this but again the City normally taxes land on the basis of the use to which it is put. The present assessments particularly with respect to land, bear no relationship whatever to the market value. We are moving towards - and it will take another year or two - a system of assessment which will be based on market value. I think that may very well have some profound influences on

how land is used. In my opinion our present system of taxation does permit and even encourages land to remain in low catagories of use. Thus, the present tax system makes it easy to carry the land. I do not want to get involved in this land speculation issue but certainly the lower the assessment - the lower the tax base on which taxes are levied for under-utilized or underdeveloped land - the lower is the cost of carrying that land. Conversely, if the City were to tax land at its market value or at what people think its market value is or at what its development potential is, I think a lot of land would be forced either into higher use or into some new development in order to enable the owners of the land to carry that level of taxation.

Michael Nozick - President
Fairweather Properties Ltd.

I have a question I would like to direct to Mr. Anderson. There seems to be an increasing trend today towards multiple family configurations both because the cost of land is high and, I presume, because it is the most expeditious way of redeveloping areas of the city. Now the Government has two programs, the AHOP Program and the Assisted Rental Program. Studies of which I am aware indicate that a substantial portion of the market for both rental and home ownership is the under 35 years of age market. The Assisted Rental Program as it now exists is in direct competition, in my view, with the Assistant Home Ownership Plan. The question that I have to direct to you is "How do you see rental housing functioning in the future as against home ownership which is very easy for the young to get into today at a low price?"

Peter Anderson

I am going to have to answer that, Michael, just from a personal point of view. I cannot anticipate any more than you can but I think that it comes down to providing an element of choice in the market for those people who have been socialized into the situation of working eventually to own their own unit as opposed to all of the options in the market that could be construed as rental. Now, we generally conjure up an idea of an apartment type of living when we talk about rental but when we look at the spectrum of programs which are available such as the co-operative programs, co-operative housing programs and other similar types of programs, they do offer alternatives in the market to the ownership concept. I think that at this point in time, it is coming down primarily to the question - either because of a short run or what may turn out to be a longer run situation - of whether or not people can afford to be home owners. At this point in time, I think most people in the country still have the idea that ownership is the only way to go. However, I think that over time (and there is enough evidence of this change in attitude in major urban centres where people have grown up in another situation other than single family home ownership) people will more readily accept the various types of living situations which can be developed now. These alternatives are mostly of a higher density type and mostly of a form of rental accommodation but they are not necessarily as we, the general public, conjure them up to be. I think that the Government still has to make available options in the community.

Michael Nozick

I do not think that those options are available. You state that the question is whether or not people are going to be able to afford to buy housing in the future. It seems to me that the proper question is whether or not people are going to be able to afford rental housing. What CMHC is doing now is saying to people who are buying new homes that they will not have to pay more than 25% of their income for housing. Yet due to the perpetual increase in rental rates that are built into the rental program and due to the high levels of rentals there is no one renting for 25% of their income. If people can get a gift from someone and own their home they are not going to rent. The problem we are having now is that we are losing, statistically, very substantial numbers of people under 35 who would normally be renters. These people are hopping into every assisted home ownership program that is available. The competition is causing me some concern and the question was "How are you responding to the conflict in the programs?"

Peter Anderson

I think that is a point well taken. It is something which probably we have not examined at this point in time. However, one of the situations that we do find is the inability,so far,to react sufficiently to the demand for ownership in the assisted home ownership range. Now should there become an over-supply of assisted home ownership units in the market for those people who want to assume that option then I can see

some real problems. It should be noted that at this point in time (especially given the statistics which indicate that at least in the City of Winnipeg the assisted home ownership - rental program has been well received) the rental market is still reasonably sound.

Jim Guthrie - Planning & Program Analyst
Manitoba Housing and Renewal Corp.

I would like to back up the argument presented earlier by Grant Wichenko. There is a well known radical left-wing province in Canada called Alberta. Since 1954 any municipality in Alberta has had the power to order what is called a "Value Replot" if there is an area in that city that is considered to be appropriate for development in terms of the city's own economy - its own efficient provision of services. When there is a "Value Replot" all property lines in the designated area are dissolved and with some adjustment for the fact that an individual home owner naturally enough wants to retain his house and actual yard, the city lays out that area in the form which it considers appropriate in consultation with landowners. The city provides the services, zones the land and sub-divides it; then each individual landowner that existed before the "Value Replot" is handed back land of proportional value in the new sub-division. This action is not expropriation nor is it a tax but the land becomes much more valuable because it has been zoned, serviced and sub-divided. A landowner would be a fool, he would be losing a great deal of money if he did not develop his land right away. As I said, this policy has been going on now for over 20 years and there is no reason that the City of Winnipeg cannot

do the same thing. I am not blaming the civic administration; I realize all too well that the staff is light years ahead of the politicians in such issues. Nevertheless, the power can be there if the spirit is behind it.

Carson Templeton - Partner
Templeton Engineering Co.

I was wondering if I could ask Mr. Sanders a question concerning Government policy - now that it is a developer. I realize that many people might dispute that assertion but in general interpretion of the word, the province is a developer. Will the province obey the zoning and other requirements and regulations of the municipality under which it is working or is it going to say, "Well we can see where we can do this better?" You know I worry about senior governments in general on this type of thing but I guess it is not fair to ask CMHC such a question. The federal government tends,through Crown Corporations, to insert its will all across the provinces and the municipalities. I think perhaps the CNR in Winnipeg is a good example. I wonder if you Mr. Sanders, can live with all of the City requirements, all the municipal requirements, the same as the private sector must.

David Sanders

Since the passage of the City of Winnipeg Act, the province has been attempting to live with the constraints imposed by Winnipeg. Under the City of Winnipeg Act, the Province specifically made the procedures applicable to itself and has abided by them. This includes density,

servicing and everything else. As I am sure you are aware, the report of the Taraska Committee recommended a change in that area but at this point in time, there has been no decision by the Government. If there is going to be a change, it will be announced.

Carson Templeton

Well, of course, it is not only the items in the Act. There are all the regulations, methods and ways in which a City does its zoning and servicing and everything else. My question is will the Province go along with that?

David Sanders

Are you asking if there is going to be a change from the past?

Carson Templeton

Well, from where I sit it looks like you might be making some changes and I was just wondering if perhaps, I am anticipating something that is not there.

David Sanders

It is not my impression that there has been a change.

Marjorie Gillies - Executive Director
Community Planning Association of Canada

I have two questions of two speakers. We, in the Community Planning Association, have always advocated bringing back moderate family living

into the inner core. My first question is for Mr. MacDonald who spoke of the opportunities existing in the core area for development of family accommodation. I would like to know what has happened since 1957 when the first renewal study was made and why there would be any new opportunities existing now which really did not show up in that study and what has been done by the City itself since 1957 to take advantage of those opportunities?

Don MacDonald

I think that there are two situations that are in many respects similar, but in some respects quite different. The CNR East Yard area has an immediate potential for redevelopment because the uses which were formerly carried out there were relocated to the Symington Yard some years ago. The land is under single ownership by the CNR and The Great West Life Company has joined with the CNR in a development exercise which would obviously require some civic input but, for the most part, I think that the redevelopment of those lands can be carried out largely by the development organization that has been put together. The CPR yards are in a different category; they are still being used for railway purposes. Also, the bulk of the CPR land reverts to the Crown if vacated; those were the terms under which they were orginally granted. Thus, an opportunity exists there for reclamation of these lands and their subsequent redevelopment probably by a joint Federal-Provincial-Municipal partnership, such as the one that acquired the Midlands Railways, with the financial assistance provided for by the Railway Relocation Legislation. The Federal Railway Relocation

Legislation was designed for situations like that in mind. What I am saying is that any talk about the possibilities of relocating or of developing a substantial residential component, a new residential component in the central area, should include some illustrations of how that could be accomplished. I do not think it can be accomplished by a neighborhood improvement program; it is a very valuable tool but it is essentially a maintenance operation designed to maintain or restore the existing residential areas. I do not think it can be accomplished by in-fill housing operations such as are now being carried out on a relatively small scale. Residential development in the central area is best considered in terms of being able to accommodate a large number of people. I think that the railway lands offer that opportunity. I think the opportunity is real, it just needs to be seized and acted upon. I do not know whether that answers the question or not, Mr. Chairman. I am in danger of repeating what I said earlier.

Marjorie Gillies

The second question is addressed to Mr. Peter Anderson. I wonder if he would like to elaborate a little bit on the programs and the amounts of money that CMHC has been putting into NIP areas and the RAP programs, the rehabilitation of existing housing supply, particularly in the older areas, and the whole business of bringing more housing on stream in the inner core or the deterioriating areas of the city?

Peter Anderson

The point about the Neighborhood Improvement Program is that it is really designed to do just that; it is designed to deal with the community as a whole,to develop it as a residential community leaving room for the other options which provide the residential components to that community. The one program which is attached to it is not really related to bringing units on stream but to the repairing and rehabilitation of existing units within that community. As for the amount of money I do not really have that information at my fingertips at this point in time. Ron do you happen to have it handy?

Ron Keenberg - President
IKOY Partnership

This year we had 3.1 million dollars for neighborhood improvements. We expect 1.8 or 1.9 million will go to one project in the city - Brooklands - and this will be the fourth neighborhood improvement area in the city. We have 1.5 million available for RAP this year. I think we got close to 800 thousand dollars last year. We are looking for a budget of two million dollars for our RAP program in 1977 and we had about 100 thousand dollars or so for non-profit RAP which seems to be getting a bigger program than we thought.

Leonard Remis

Well ladies and gentlemen, we are running a little behind time. It is time to stop for lunch. I hope you will reserve any further

questions you have for the afternoon session. This meeting is adjourned until 1:30 p.m.

3.

Luncheon Address:

THE MANITOBA HOUSING AND RENEWAL CORPORATION: A POLICY STATEMENT

By: Honourable Leonard S. Evans
Minister of Industry and
Commerce and
Minister Responsibile for
M.H.R.C.

Prior to commencing a discussion about M.H.R.C. policy thrusts in the future it might be useful to briefly review the scope and results of past M.H.R.C. activity. The present government bases its housing programming on the fundamental guiding principles,

i) that all Manitobans shall be able to afford satisfactory housing, housing that at least meets reasonable standards and

ii) that optimally Manitobans should not have to pay more than 25% of their income to secure such housing.

We recognize the development of reasonable housing to be more than a crude tool of fiscal policy, but rather a basic social right.

In 1969, under the previous government, M.H.R.C. was practically dormant. Due to the orientation of the new government, M.H.R.C. has virtually all of the public housing presently in place in Manitoba. Since 1969, M.H.R.C. has provided some 10,000 low-income family and elderly persons housing units which represents slightly less than 2% of the province's total housing stock. At the conclusion of projects committed under the 1976 program, the capital book value of M.H.R.C.'s holdings will approach $200 million; that figure represents the actual cost of development and does not take into account the appreciated

value of those holdings.

It should be emphasized that the development of 10,000 units of social housing in seven years is no mean feat for a province the size of ours. This fact might be better appreciated when it is recognized that Manitoba in recent years has ranked first in per capita terms and among the top three or four provinces in terms of absolute numbers of units of social housing generated. Needless to say past efforts have not been enough to significantly affect the housing market as a whole. Although M.H.R.C.'s accomplishments are praiseworthy with respect to its primary mandate for the provision of housing for low-income people, it will require further years of high activity before the full benefits might be felt by the average housing consumer.

Two other major M.H.R.C. activities which are closely related to the ultimate objective of positively affecting the marketplace are long-term land banking, and short-term land assembly and servicing. M.H.R.C. has banked in recent years some 5000 acres of land in and around the City of Winnipeg. M.H.R.C. is presently initiating the servicing of portions of its holdings through its own development division as well as supplying another crown agency, the Leaf Rapids Corporation, with parcels for major subdivisions. The year 1977 should see the servicing of some four hundred acres in West Selkirk, St. Boniface and North Winnipeg. M.H.R.C.'s objectives in developing these parcels are simple. First, such development is intended to provide serviced lots at cost and thereby eliminating the increment

earned by private sector developers who dispose of lots at a market value which often includes a premium for speculative gains. (Transactions such as those recently publicized in our local media are cases in point.) Further it is of course hoped that the steady increase in the level of M.H.R.C.'s Winnipeg area land development activity over succeeding years will result in some overall stabilization of prices as demand will be more and more effectively met.

With respect to the Government's "Stay-option" policy, it may be said that M.H.R.C. has well fulfilled its role. After implementation of the current year's projects, M.H.R.C. will have developed nearly 5000 units of low-income Family and Elderly Persons' projects outside of Winnipeg through both the Public Housing Program and the Rural and Native Housing Program. Of this number some 1700 units have been put in place in Northern Manitoba. This particular fact is worthy of note because it is indicative of the role that the public sector must play in housing where the private sector does not find it advantageous to do so. Legislation governing the Public Housing Program provides that where a local housing market is stagnant in terms of new development for lack of private sector,activity may be geared to fulfilling the requirements of that market as a whole. M.H.R.C. has recognized this reality. Under the Rural and Native Housing Program and its predecessor the Remote Housing Program, M.H.R.C. has developed some 600 units in Northern remote communities as well as 1100 units in major Northern centres under the Public Housing Program.

Another major area of M.H.R.C. activity is that of home rehabilitation. Since 1972 under the Pensioners' Home Repair Program, and since 1975, under the current Critical Home Repair Progam, M.H.R.C. has funded rehabilitation work on some 30,000 units. In so doing M.H.R.C. has contributed toward the preservation of large portions of housing stock for future generations of Manitobans.

In general, M.H.R.C. policy clearly recognizes that the public sector must expand its direct role in the housing field. This recognition is, firstly, a general consequence of the fact that housing costs are steadily increasing at a rate outpacing the average consumer's capacity to afford reasonable shelter and, secondly, because in recent years heavily increasing levels of public sector assistance have been necessary to maintain the minimal rates of supply of new housing being put on the market. Thus far, for example, in 1976 after two years of declining housing starts, it appears that Manitoba will be back to and may exceed the relatively higher rate of start activity recorded in 1973. The critical explanatory factor is that the degree of public sector financing has increased markedly since that time, particularly with respect to multi-family developments.

The private sector is, in effect, failing to meet the needs of the average housing consumer even with massive public sector financial assistance. This was as much as admitted by the industry in 1975 when the Housing and Urban Development Association of Manitoba put forward

a submission to both the Provincial and Federal Governments stating that without institution of a program to provide income-based subsidies to all Manitoba families earning under $15,000 per year, the developers could not receive an adequate return on investment from multi-unit development and would therefore invest their capital elsewhere. The enormity of the problem as perceived by H.U.D.A.M. may be appreciated by pointing out that according to 1974 tax data, 68% of family incomes where under $15,000.

The H.U.D.A.M. proposition was of course turned down, not only because of the massive costs that would be involved, but also because the province itself possesses the capacity to generate additional subsidized housing, conceivably without the overhead costs necessary to provide return on investment. However, the message has in effect been delivered. The private sector has indicated that it can no longer produce multi-family housing at affordable rents for the average consumer without heavy public subsidy. The main policy issue then, is not who will pay. It is whether the public or private sector will control such development.

The present government has long espoused the principle that all Manitobans have the right to decent shelter. It should be clear from the foregoing that we have gone a tremendous distance toward this objective. However, in a basic sense the critical issue still awaits testing. Contrary to many conceptions, it has not been our intention to pursue dogmatically public sector expansion in the housing area

just on principle. The need for major development of subsidized low-income housing in 1969 cannot be rationally disputed. In the face of the admitted inability of the private sector to adequately fulfill the needs of moderate to middle income people without massive subsidy, it is apparent that the nature of public sector involvement in the general housing market must become more direct. To put the problem in a more universal context, we are just now entering a situation that north-western European states were put into a decade ago, or even earlier. The inevitable result was that the public sector's presence in Europe has been expanded to become the controlling factor in the marketplace. If that should happen in Canada and particularly in Manitoba it will occur because government has listened to the human need for shelter, and responded responsibility to that need.

4.

THE HOUSING INDUSTRY - HOW EFFICIENT IS IT?

Panelists:

Chris H. Goody
President and General Manager
Kensington Homes Ltd.

Thomas R. Denton
Executive Vice-President
Genstar Homes Limited

Abe Ruben
President and Business Representative
I.B.P.A.T. Local Union 739

Sam Linhart
President
Lakeview Properties Ltd.

Introduction:

Leonard Remis

After talking to as many people as I was able to during the lunch break, the general feeling I sensed was that we have been skirting around the topic so far. This result should not greatly surprise anyone; you cannot bring a hundred people together in a room, present them with a problem as complex as this one and hope to come up with something concrete right off the bat. I think the main question that has to be answered can be best phrased this way. 'I am an average Canadian in outlook; I have a family; I earn $15,000 a year; why can I not have a decent home that I can afford without pressing everybody in my family into the work force? The government has a responsibility to take corrective measures in this area and the Minister has just described the policy of the Manitoba Government. It has a humanitarian attitude and it has translated that attitude into positive programs. The industry has been more inclined,understandably enough, to serve that portion of the population that can afford to pay the kind of prices that are prevalent today. However, prices and carrying costs have risen to the point where even people who earn quite a substantial income find it difficult to maintain a home. To repeat the question, this time in a positive form: how can we help develop an environment that will provide housing for people in the middle-income group - the largest segment of our population - so that they are not taxed more than 25 per cent of their income to acquire decent homes, the kind we have all become accustomed to?

I do not think that anybody would argue with the concept that housing expectations today are much higher than they have ever been before. There is very little doubt that what might have passed for a decent home 25 years ago is no longer applicable. Nevertheless, it would seem to me that a nation like Canada or a province like Manitoba should be able to meet these expectations.

This morning we have heard from the government sectors and learned something of their attitude. I was amazed to find that no one stood up and said "We've got too many planners - planning is a function that ought to be limited". What we were really hearing from almost everyone was that the planning ought to be better, or more relevant, or more appropriate to the needs. It would seem to me that the case for planning, the case for government intervention has not been challenged. However, in the next hour or two we may hear differently. We now turn to representatives from the industry to hear what they have to say. I am going to ask Mr. Chris Goody, President and General Manager of Kensington Homes to be the first speaker.

HOUSING COSTS, CAUSES AND CONCERNS

By: Chris Goody

Thank you Mr. Chairman, ladies and gentlemen. I welcome the opportunity of an uninterrupted 10 or 15 minutes to try and express the builders' view point. My usual experience is trying to do this before a community committee hearing.

I would like to concentrate on what has happened to housing costs during the past four years and offer some proposals to some of the problems. I have chosen this period because, up to the end of 1972, house prices in Winnipeg were fairly stable, showing only moderate increases in most years of 5% to 10%, with little or no increase in some years.

To better understand the role of the builder, he should be considered as the project manager, agent or broker who brings all of the ingredients together. He either tenders or negotiates for the goods and services he requires, using his expertise and knowledge of the market place to produce the best house he can as economically as possible, attempting to meet as accurately as possible the requirements of the potential buyer functionally, aesthetically and financially. It is not an exact science. It requires a combination of marketing studies, experience and gut feel. It is quite easy to produce 'Ford Edsels' in housing, and this, combined with economic factors, is what makes it a high risk business.

F2

To illustrate what has happened to costs and selling prices in the past four years, I have used the example of a typical detached three bedroom bungalow comprising 1,040 sq. ft. on a standard 55 ft. by 100 ft. lot, and have broken the house down into the three major areas of cost, plus the mortgage or financial package.

	Late 1972	November, 1976	Increase %
Selling Price	$ 24,000	$ 48,000	100%
Land/Lot	5,200	16,300	213%
Indirect Overhead Costs	2,400	4,900	104%
Direct Const. Costs & Profit	16,400	26,800	63%
Minimum Down Payment	1,500	3,000	
Mortgage	22,500	45,000	
	(@ 9% 30 yr.am.)	(@ 11½% 30 yr.am.)	
Monthly Payment -P.I.	178.39	436.52	145%

LAND

Firstly, let us look at the land component. It has been by far the most significant factor causing the increase in house prices. Lots have tripled in four years. It now costs considerably more just to service a lot than the cost of lot and services combined four years ago. However, if we removed the servicing costs in the above example from the total lot cost, we would perceive a much greater percentage increase.
Raw land prices have increased during this period from between a few

hundred dollars and $2,000 per acre, to between $12,000 and $25,000 per acre today for land which can be serviced in the near future. Why? The number one reason is the shortage of serviceable land; land which can be serviced each year for the next few years. It is this acute shortage, not only in the City of Winnipeg, but in most other cities in Canada, that has allowed the natural law of supply and demand to run prices helter skelter upwards. It is erroneous to point a finger at the speculator - it would have happened without him. Early in 1973, sales of homes became very brisk but the normal inventory of serviced lots ready for construction starts had seriously dwindled, partly due to the emergence of Unicity and the consequent delays due to the reorganization taking place. The scramble was on for land that could be converted quickly into building sites. Unfortunately, there was very little available because of a firm posture by the City on orderly development that was designed to restrict urban sprawl. These restrictions and an inadequacy of trunk services to open up land in many areas for development created the pressure on the small supply of land which could be developed and sent prices soaring. Virtually every home builder in the City had at best a few months supply of serviced lots and some had none at all. Consequently, they were quite prepared to pay much higher prices for lots to keep going. By the time house sales slowed down temporarily in the summer of 1974, serviced lots had already doubled in price over the levels of 18 months earlier. Obviously, with lots selling at much higher prices, people with acreage to sell could ask and obtain much higher prices. Furthermore, Government at various

levels added to the pressure on prices by getting into land banking on a large scale.

PROPOSALS

Government could ensure that the supply of serviceable and serviced land at all times exceeds demand by a goodly margin. If Government spent more money on major trunk services and less in land banking, they could reduce prices virtually overnight by creating a sufficient surplus.

Consideration could also be given to allowing land developers to finance the servicing of subdivisions in certain cases by debenture as local improvements. This would enable many more companies to engage in land development on a large scale and create more competition. Providing adequate safeguards were set up, this system could work well as it has for decades in Montreal where it helped to keep lot prices at a much more reasonable level.

Another and equally important consideration is the need for much more flexible zoning. Presently it is taking eighteen months to two years to process a Plan of Subdivision. Market conditions are changing so rapidly that often zoning requirements are quite different on conclusion than they were when the original concept was put before Community Committee. A system of maximum density per block, without designating any specific type of housing, would be much more practical to work with as long as there was a quick system of obtaining approval of plans for building permits.

INDIRECT COSTS OR OVERHEAD

Some of the factors, other than salary increases, which have contributed to the significant rise in indirect costs are:

- higher interest rates
- lawyers and other professional fees which, when on a tariff basis, are increased by higher prices
- the introduction of a warranty program over and above normal buyer service.
- ever increasing red tape which requires additional staff
- delays in Hydro installations which cause costly temporary power problems, and also substantial increases in energy prices
- an alarming increase in theft and vandalism. (Our own experience used to be a loss of $2,000/$3,000 per annum due to vandalism and mysterious disappearance. This has now risen to a point where during many months we suffer a greater loss than we used to in an entire year.)

PROPOSALS

HUDAM, our House Builders Association, is currently reviewing the latter problem hoping to find some collective methods of controlling it. Hydro now appears to have a greater awareness of the indirect costs to housing caused by delays of in-service dates, and hopefully this problem will be corrected shortly.

DIRECT CONSTRUCTION COSTS AND PROFIT

The figures below show a breakdown by subtrade or supplier of the percentage increases over the past four years for most of the major items

involved in the construction of our typical house.

	% Increases
Concrete	70%
Forming	69%
Roughing Material (lumber)	81%
Windows and Doors	107%
Stucco	67%
Stucco Wire	122%
Electrical	82%
Attic Insulation	93%
Roofing	105%
Plumbing	33%
Heating Installation	42%
Painting	80%
Drywall	79%

	May 1972	Oct. 1, 1976	% Increase
Labourers' Rate	$3.75/hr.	$ 7.46/hr.	99%
Carpenters' Rate	5.20/hr.	9.55/hr.	84%
Plumbers' Rate	6.05/hr.	10.50/hr.	74%
Electricians' Rate	5.80/hr.	10.40/hr.	79%

Upon considering the above, it is clear the builders in Winnipeg have done a remarkably fine job in holding the line on the aggregate increase of labour and material to 63%. In addition to the above increases, builders have had to contend with more demanding buyer expectations in design and quality and also increases in specifications required by CMHC and Government. Most of the recent Government requirements relate to

increases in insulation, including basement insulation which was not a requirement in 1972. These things are obviously beneficial but cost money and have added in excess of $1,000 to the cost of our typical house since 1972. It might be added here that due to buyer expectations alone, the increase is much greater for higher priced homes.

PROPOSALS

Create a climate in City Hall which is not only receptive to new ideas, but encourages them and provides a framework for quick approval to new proposals. Controls are obviously required but these should be kept at a minimum and consistent with a true understanding of what the priorities and key elements are.

In most housing trades in Winnipeg there is a shortage of skilled workers. In most instances they perform on a piece work basis and at times the cost of their services is bid up by the demand factor. There should be more encouragement for young people to enter a trade and more status should be given to this highly respectable and extremely necessary segment of our society.

MORTGAGE FINANCING AND CARRYING COSTS

It is apparent from our example that although both the selling price of our house and the amount of the first mortgage have increased 100%, the monthly payment has increased by 145%. This is the second most significant factor in the high cost of housing. Had interest rates remained stable

during this four-year period, the increase to the buyer would have been 45% less. It seems somewhat unjust that because a buyer enters the market place at a different point in time, he should have to contend with such dramatic swings of interest rates on such a major and essential purchase.

PROPOSAL

Consideration should be given to tax relief on first mortgage interest, at least up to the CMHC maximum loan amount ($45,000 in Winnipeg). The relief should be significant, say over a base rate of 6% or 7%. The chief argument in the past against this proposal has been that it discriminates against the tenant. However, the tenant is now so heavily subsidized through Sec. 15, ARP, rent controls and Provincial Housing Corporation rentals that this argument is no longer valid.

Consideration should also be given to an examination of the whole system of collecting school taxes. It would be of considerable relief to the struggling homebuyer or hard pressed company if school taxes were levied on income rather than on property.

SUMMATION

Contrary to the popular myth that builders benefit from rising prices, what actually occurs is that they lose large segments of potential buyers who can no longer afford to buy. Builders benefit most from volume and continuous production which keeps everything in balance and overheads

at a minimum. The market for homes is shaped very much like a pyramid. There are very few buyers at the top and a great many at the base. Every time prices rise ahead of incomes the widest layer of potential buyers is removed from the market. This is our chief concern as builders and this problem also has enormous social significance. Obviously from what we have heard today there is no one cause and no single solution. Perhaps the combination of some of these considerations and Mr. MacDonald's excellent ideas for the re-development of the inner City would combine to alleviate the supply-demand situation. Unfortunately, I am reminded of the C.N.'s and the C.P.'s and the city of Toronto's frustrating attempts to redevelop a large area of'no mans land' between the Garden Expressway and Lake Ontario. Thank you.

THE HOUSING INDUSTRY - HOW EFFICIENT IS IT? : COMMENTS

By: Tom Denton

I approach the topic with some concern. Some of us in this industry are getting a little paranoid these days. In our cynical moments, we tend to think that the so-called housing crisis is God's gift to politicians and journalists. I really am pleased though with the program today because, being subjective about it, I find so very little to disagree with. I think we have all been making points around the general issue and, as I say, I am surprised at how little I find to quarrel with on the various points made by the speakers both here and at the microphones.

Len, you suggested when you asked me to speak that I should address myself to the problems of land development but when I began to prepare the talk I found myself getting somewhat steamed up about the whole issue - as I am wont to do - and I decided that I could not simply restrict myself and that I would have to nail several theses to the door. Some of them may seem trite and some of them may seem outrageous but I guess Martin Luther had the same problem.

At this stage in the afternoon too, I have another problem and that is that much of what I have to say has already been said. However, I am going to say it anyway because I have it written here.

(1) The housebuilding industry is as efficient now as the free market will permit. The industry is innovative and competitive, adjusting to the changing demands placed upon it with remarkable flexibility whether

these changing demands be a result of market conditions or new government policies.

This is not to imply, however, a state of perfection. The current over-inventoried position in more expensive new houses across the West belies that; but this will precipitate a major shift to lower-priced units in 1977. The gear shifting may be rough, but in our free market system it happens and smoother than under some state system of quotas and controls.

(2) The housebuilding industry produces what the people want to the extent they can afford it. When the number of housebuilders in Canada is in thousands and no one builder has more than 2% of the single family/semi-detached market, and when cross-fertilization of ideas (some call it stealing, others call it research) within Canada and the United States is the order of the day, there is no substance to the claim that housebuilders dictate tastes and standards to the public. (Those who say so usually have some pet idea of their own.)

There are social as well as economic questions to be answered here. They have forced us to confront again the trade-off dilemma. It is interesting to note, however, that the public survey which some of us in the industry did last year confirmed that the great majority of the public really do not want to give up anything that they now have come to expect in community standards.

(3) There is no possibility of reducing house construction costs (divorced from land costs) by anything more than a tiny fraction. Here are three reasons:

(i) Many fail to comprehend that the typical housebuilder, be he large or small in volume, is a co-ordinator of other people's efforts. He does not have his own on-site construction workers, except to a minor extent, but lets out the many phases of home construction (cribbing, framing, roofing, plumbing, wiring, wallboarding, etc.) to a succession of subtrades. He pays the best rate he can negotiate, likely the going rate in that community or close to it. We cannot complain about the cost of house construction while rejoicing in the trend toward better income levels for all workers, without being hypocritical.

(ii) Size and amenity standards in the lowest-priced units are already as low as the consumer will accept. It is popular to bemoan all the "frills" in new housing and cluck about the sybaritic tendencies of Canadians. You could get that impression from some of the "show homes" but you would not get that impression if you toured, for example, homes being built under the AHOP program or looked at some of our 828 square foot 2-bedroom single family homes. How much smaller can they get? Would you believe 768 square feet (our intention for 1977)? The frills are in the higher-priced homes for those who can afford them.

(iii) The mass manufacturing techniques which made motor cars affordable have only limited application to the housing scene, especially in Western Canada. This is both because of community tastes and standards and because of economic realities. Assembly-line housing of the type now

available is desired by only a small market. Also, given quality trade-offs, we doubt there is any saving. With our sparse population and great distances, there is not enough local volume to sustain the mass production of more sophisticated units. The factory manufacturing or assembly of certain components is as far as we can go.

(4) Housebuilding profits (again divorced from land) are probably in the order of 10% to 15% on the selling price, before tax (and our tax rate is about 50%). I leave it to you to argue whether this is sufficient or excessive for this industry in these inflationary times. The house price and hence the profit is determined by market conditions. The new house sales are only a part of the total real estate market. You have heard all this before, but an example will highlight the problem and make my point.

We have one very fine subdivision in Calgary where we sell half the lots and build our own houses on the other half. We are reputed to be selling the houses too cheaply. Some evidence of this is provided when I tell you our 1976 productive capacity is about 300 houses and we had as many as 1500 firm customers for them earlier this year. For several years in this subdivision we have been giving good value in a city where demand pressures and supply problems are greater than in Winnipeg. With what result? By the end of 1975, 57% of the houses we built and sold in 1974 were already resold by their owners. No population is that mobile naturally. These were relatively expensive homes and our average after-

tax profit was just under $3,800 inclusive of the land profit and the house profit. The homeowner's average resale profit was $21,000, and no tax payable -- not bad on an average - 12 month investment of $53,000. If the housebuilder (either through altruism, mistake or controls) does not take the profit, the homebuyer will. I leave with you the philosophical question as to which course serves society better -- enrichment of the tax-paying, job-and-service providing housebuilder or enrichment of the individual citizen already prosperous enough to buy the home - but if you prefer the latter, will you help us run the lottery for we will surely need to choose the lucky purchasers. You will think of other questions that profit controls raise.

(5) The housebuilder has one big problem; if the housebuilding industry is efficient, the delivery system for the supply of serviced building lots is surely inefficient. In fact it borders on a disaster. If house prices are escalating faster than the general inflationary spiral, if raw land prices are skyrocketing beyond all reasonable expectations of gain, then to find the reason we need look no further than the failure of the delivery system for serviced building lots. The law of supply and demand is working like a charm. The opportunities for speculative profits on both houses and land, and indeed the industry's high profit margins, are proof positive. Heavy demand (fueled by senior government policies) in the face of a constricted supply is having the inevitable result. Can anyone be surprised? Supply should logically rise to satisfy demand but it cannot and hence the price problem continues. Builders faced in effect with a "rationing"

situation opt to build more expensive units to maintain sales dollar volume and profit totals, and the lower-priced home market is (partially at least) neglected.

(6) There is a very basic reason for the constricted lot supply. At the municipal level, the whole emphasis is on control of the development process and not on facilitating it. This is not intended as a criticism of those who administer the process. This is a commentary on the times. The era is over when urban communities welcomed growth with enthusiasm. Now the attitude is somewhere between misgivings and hostility. Not only growth, but also change is suspect as we seek to preserve the landmarks of the past, the zoning of the present, and the countryside for the future. What we have is an unresolved dilemma. Rather than face the general issue in a general way (and we may not even have the mechanism to do so), we attack it piecemeal within a "control" framework. Thus the many vested interests of the community are considered and heard as a proposed development wends its way through the approval process. Years pass and the supply of serviced lots slows down. Mr. Pearson's article in the seminar material paints a vivid picture of the times and the problems.

There can surely be no serious questioning of the principle that the community must give due consideration to proposals for growth and change. But too much deliberation now is extracting too high a price. The market is saying, "take all the time you like, but expect to pay the price."

It's a trade-off situation and if we do not like the terms, the answer is not to look for personalized scapegoats in industry or government, or to put government into the land development business, or to seek for some artificial control of the free market economy and further confuse the issue.

The answer is to find a smoother and faster way to process residential subdivision approval without abandoning the legitimate concerns of the community. It's not an "either/or" situation, it is a question of degree. I have no specific suggestions today, and only hope that out of this seminar can come a common resolve to try to come up with answers. But it does not take much genius to know that when your development application gets a two-year hoist because one department says it is premature, there is something wrong with the decision-making apparatus.

(7) Some decry the domination of the market by a few big developers but if it were not for the contribution made by the big developers we would be in a worse mess than we are. Is is hardly to be wondered that there are so few in the business. With the cost of land, the cost of holding it, and the cost of developing it, all so high there are not many who can afford the investment. BACM's land investment in Winnipeg now stands at about $20 million -- that's book, not market value. None of our land was purchased at what might be termed "speculative prices". If the development timetable were shortened and price competition able to flourish, there would be more "developers" in the business.

(8) Some erroneously believe that because of presumed large land inventories, the big developers have it within their power to bring more land to the market if they wanted to. When some people ask me how much land we have in the Winnipeg area, and I reply "between four and five thousand acres", I can tell they think that is a lot. They mentally divide that by the 700-or-so acres the whole city is supposed to need each year, and think "wow"! I have the same problem with the financial people in our Montreal head office, only they think "why"? Many fail to understand that acreage totals mean little in themselves. Acreage inventories are not like parts stored on a manufacturers self, waiting to be used. Acreage only has value, over and above farm prices, and can only be understood in relation to its development potential and the timing of that development. On that basis we have less than 1,000 acres that will be developed or have a reasonable likelihood of starting development within the next two to three years. The rest at this point must all be considered as in doubt. With the best will in the world we can do little with it now except to plan for the future and hope.

Another slant on this same point is found in the charge that developers withhold land from the market to await a more advantageous (i.e. higher priced) selling time. Some critics even graciously allow that they would do the same thing were they in the business - it is just "good business" you see. Well good business it may be but I can tell you that in the several years I have been around this business, we have never had the luxury of that kind of choice. I invite anyone who thinks

otherwise to spend some time in our shop and to witness the frustration of our people at the delays in the approval process, their chagrin at being regularly unable to supply our customers with the lot quantities they need, and their resentment at being constantly condemned as the cause of the problem. It will take little exercise of judgement to realize that the emphasis in our shop is on expediting production, not controlling it. If one scoffs, it is probably because he believes that business, especially big business, is inherently evil. Many people seem to have that hang-up these days.

(9) Someone is often found counting a city's "approved but unused" lots, coming up with a large total, and then belittling the supposed lot shortage. Don't think this just happens in Winnipeg; it seems to be a fairly common technique. The number usually seems to end up somewhere in excess of 2,000 lots. I am being somewhat facetious, but no statement is better calculated to make the housebuilder's blood boil. Quite apart from minor but obvious questions like (a) are they really ready for a building permit in all respects, and (b) are they located where a builder will feel like betting his money on finding a purchaser for the house? There is the much more important point that the housebuilding industry needs a lot inventory in front of it, something in the order of six month's supply, minimum, if building programs are to be planned and sustained. Lots tend to get produced in bunches - a bunch when a subdivision phase is completed, and then nothing until the next phase is completed. Unlike most manufacturers, our inventory is out there on full view for all to see and count; and also unlike most manufacturers, we cannot pick up the telephone and order another supply when our inventory is running low.

(10) Are the developers (especially the big ones), while wringing their hands about the difficulties of getting their subdivisions approved crying all the way to the bank, taking every advantage of the tight supply situation to reap large profits while proclaiming it is not their fault? That is a fair question and a troublesome one.

There is no question in my mind that if the developer does not take the full profit, the housebuilder will, as he prices his house according to market of the day. If the developer and housebuilder are in one and the same company and discount the end price, then the homebuyer will obtain the profit (and we talked about this earlier and saw the result). An altruistic policy by the developer, or controls imposed upon his prices will, I submit, have no ultimate effect on this kind of market. We end then with a value judgement as to where the profit ought to be taken.

I can see no merit in handing the profit to the homebuyers unless, as I indicated earlier, we sell lottery tickets to determine the lucky purchasers. I would argue that to let the housebuilder pick it up is to court inefficiency in the housebuilding business; this is precisely why in our organization we run the two operations separately. A blending of the two operations has been a root cause of some of the business failures in this industry. So again,I submit that the logical place for the profit to remain is with the land developer. The returns should logically operate to increase competition in the industry, and hence lot supply, if we could only accomplish the oiling of the approval process.

And we do pay taxes you know. Some have suggested that developers pay little or no taxes. If that is so, it is either because they are making no money or because they are taking advantage of tax laws which a succession of governments has deemed to be appropriate for this country. However, in BACM's case, over the past ten years our tax bill has been just over 49% of gross profit and we have actually paid just over 42%, with the 7% balance being deferred taxes which principally arise out of depreciation on our large fleet of heavy construction equipment.

Proposals to penalize developers, perhaps through special taxes, seem to assume that development will take place regardless. I suggest that this is not necessarily the case. Development is an entrepreneurial flower which can be transplanted elsewhere if the climate deterioriates. An investment in land, unlike a major investment in fixed plant and equipment in a community, can relatively easily be converted to cash, with the cash going somewhere else. We could be throwing the baby out with the bath water. I repeat again that what we need is more development and more developers in order to rectify the supply problem, not a continuing attack on those few we have.

(11) Are the so called "cadillac" specifications for subdivision servicing too high a price to require the homebuyer to pay, or ought we to welcome this improvement in community standards? We see the cost of ornamental lighting going up between four and five times over what it was ten years ago, both because of product cost and because we now place the standards closer together. But I am going to duck this issue and let more knowledgeable heads than mine discuss it. There are social as well as economic

questions to be answered here which force us to confront again the trade-off dilemma. It is interesting to note,however,that a public survey which some of us in the industry did last year confirmed that the great majority of the public really do not want to give up anything that they have now come to expect in the way of community standards.

(12) These rambling comments have probably said little that is new. In fact so much has been said that it is hard to find anything new to say. But controversy continues to rage, suggesting to me that we still need more illumination of the issues. The housing question is emotional, it is fraught with preconceptions, it has been made into one of the major issues of the day and the cynic in me suggests that a number of politicians would like to keep it so. I will, however, offer one prediction and that is that economic forces will solve the problem before political ones do. Thank you.

THE HOUSING PROBLEM IN MANITOBA

By: Abe Ruben

The first question that we have to ask ourselves is "Why is there a housing problem?" and if there is "What is the cause?" Just to try to answer the above two basic questions should be enough for this seminar, if any answer can be found at all.

If the cause is economic, then where does it exist? Is it labour, materials or the land costs? With respect to the first of the three named, let me say this. In 1949 the average cost of a six room family home of approximately 1,200 square feet was just below $10,000.00 in round figures. The on-site labour costs were 33%, materials 36% and the balance was for land, financing etc; if the mortgage interest rates were to be included, the on-site labour costs would be reduced to a low of something like 19% (where such a house was amortized for a period of 30 years, the total cost of such a house to the purchaser and again quoting round figures, would be approximately $18,000.00, which is 80% above the initial cost of the house and on the basis of labour costs being 33% of the initial price).

Now take the same house in 1969. The cost to the purchaser was then close to $21,000.00 but the on-site labour costs were only 18% (a reduction of 15 percentage points) material costs rose 2 percentage points to 38%, but the land costs and financing went up substantially. Again, taking an amortization for 30 years, the house would have cost the purchaser something like $51,000.00 (interest rates in 1949 were 5% and in 1969 had risen to 8%). In 1976, the same house costs close to $44,000.00, but

on-site labour costs have dropped to 16%, material costs have dropped to 33%, with the balance going to the costs of land and financing etc. The etc., by the way, can include the profits. When this house is again amortized over 30 years, this time at 9% interest on the mortgage, the down payment in every instance being 10%, the final cost to the purchaser is a little over $118,000.00. Thus the total costs of a house over the purchase price has gone from 80% in 1949 to something like 190% (which is more than double) and dollar-wise from $8,000.00 to $74,000.00. The cost of labour in 1949 in round figures was something close to $3,500.00 and in 1976 it was about $7,000.00, an increase of $100% and as the costs of materials have remained in a pretty stable position percentage wise, then the only conclusion that can be reached is that the land costs and profits have gone up out of proportion to all other increases.

I will not go into the reasons for the increased cost of land, enough has been said recently about land speculators and their methods of doing business; of how one person can set up a number of dummy companies, then buy a parcel of land for a nominal price and have transactions made from one company to the other until the price of the last purchase puts the cost of the land at a level that has no relationship to the actual value of the land. It does however, raise the cost of a house to the level noted above. Another factor has also to be taken into consideration and that is the percentage margin of profit. This fits into the situation in

arriving at the figure at which a house has to be sold.

Housing people in apartment blocks is another question. In this instance, there is a requirement for a tenant to pay a rental to the owner that should be sufficient to compensate the owner for his investment as well as a reasonable profit. The question is "What is reasonable? I have found that the tenant, like the purchaser of a house is expected to pay not only for a fair return on an investment, but the costs of borrowing the money as well and this I think is what is creating the problem in housing in Manitoba. The so called investor or developer wants to take out more than he or she is reasonable entitled to. They go into an area of investing quite often with insufficient finances, then they have to raise money at a rate of interest which when passed on to the purchaser, raises the cost of housing to a prohibitive level, whether it be a suite in an apartment block or a house.

I can also go on at length about those who are employed in the construction of houses and how they are paid and the conditions of employment, but I think that this should be left to the questions from the floor.

RENTAL UNITS - BLEAK OUTLOOK?

By: Sam Linhart

I would like to keep my message brief. I believe that I should highlight some of my concerns about the apartment industry and I would then be very happy to answer any questions or participate in any discussions relating to this topic.

As you probably know, the apartment sector constitutes approximately 40% of all housing starts in Manitoba. My own prediction for the long run is that, ideally, it should constitute more as houses become more expensive and as people become more senior and sell their homes. I think that the demographic trends indicate that the proportion of older people will increase in the future. My major concern is for the industry. I think that the outlook as indicated by the title of this paper is quite bleak - with a question mark - unless certain changes are made and made in a hurry.

Our own particular company, Lakeview Properties Ltd. has been responsible for the development to date of over 1500 rental units. This includes approximately 400 units presently under construction. Consequently, our company is fully involved with every phase of the development and management process. This goes all the way from initial site selection and feasibility study to the day-to-day problems of managing these units after they have been completed and fully rented. We,therefore,feel that we are fully cognizant of all the potential problem areas.

Our concern for the industry is that the economics on new rental units just do not work out and under present circumstances, the long-term

outlook holds little hope for improvement. There are a number of factors which contribute to our concerns. They are as follows:

1) High cost of money
2) Increased operating expenses
3) High cost of land
4) High cost of construction
5) Continuous tenant turnover
6) Market resistance to rentals required to meet costs, make mortgage payments and generate reasonable return on investment.
7) The inability to resell developed projects because they are subject to controls and because cash flow is not sufficient to support investment.

To further aggravate the situation, the introduction of rent controls in this province, particularly in its present form, has greatly eroded the confidence of the private sector who are responsible for the development of rental units. Some of the problems of rent controls are as follows:

1) The existing legislation does not recognize the peculiarities of large projects, particularly the time element required to mature them in order to generate a reasonable return on investment; it pays no recognition to return on investment and it does not allow the pass through of higher interest costs due to refinancing. This is not equitable and has consequently

resulted in an erosion of confidence. In addition, from a purely economic standpoint, many existing projects are marginal and those that have been refinanced recently are running at substantial losses.

2) Because of rent controls, a two tier market has been created. One market represents rent-controlled units and the other market represents new units which are not subject to rent controls for 5 years. Most of the demand for units are, thus gravitating towards rent-controlled apartments since they are considerably cheaper. Therefore, overall vacancy figures released by CMHC are somewhat misleading inasmuch as new units have high vacancies and old units are virtually all rented.

As a result of this, I believe that the large developers of rental housing will ultimately shift their talent and resources into segments of the marketplace which are potentially more rewarding such as commercial, industrial and condominium projects. These projects are not subject to control and resale possibilities exist when the projects mature and achieve desired rental and sales prices. Therefore, they are ultimately capable of being sold close to their replacement costs. On the other hand, apartment sales which have taken place recently are at approximately 50% of replacement cost since real estate is generally sold only on a yield basis. Many sales of apartment blocks have been concluded at prices below original cost to the developer or investor even though these units may have been acquired or built over 10 years ago. The sellers of these buildings

cannot afford to keep them because they are not generating cash flow or in many cases are in cash deficit. This creates a lack of liquidity in owning apartment blocks.

In light of the above, the long-term outlook for the industry is not promising.

The fact that starts in 1976 are substantially in excess of 1975 is somewhat misleading. There has been a temporary resurgence of development of new units for the following reasons:

1) The lead time for a project is at least 2 years. Thus, many developers were substantially committed before 1976 in terms of planning, land holdings, financing, zoning, development agreements, etc. They were not able to readily change their plans.

2) The Federal Government introduced temporary measures such as attractive tax shelters relating to new apartment starts and Assisted Rental Programs (grants for 1975 and interest-free loans for 1976) so that those developers already substantially committed were able to proceed with their projects with the knowledge that they would be able to attract investment funds from tax-shelter oriented investors. Because of the attractive tax shelter possibilities on new rental units, high income earning professionals, salaried executives, corporations and high earning trades people are able to find this type of investment attractive since tax savings should return the capital investment within 3 to 5 years even if there is no

return on investment. Therefore, even if they have to abandon the project after 3 years because it is not viable, they are no worse off than if they had paid their tax. On the other hand, if for some reason the industry turns around or legislation is changed, they have an opportunity for long-term capital gains and investment return. From the Government standpoint, this has achieved certain short-run objectives, since it encouraged an increase in apartment starts in 1976 and augurs reasonably well for 1977 as any project started before December 31, 1977 is still eligible for tax-shelter. In the long-run, however, this type of solution is unacceptable since new projects are not viable without assistance and the temporary advantages can readily be withdrawn by the Federal Government as has been evident from past performance.

3) Another concern that I have is that many of these new projects have not yet been confronted with the realities of the marketplace. I am not fully convinced that the rental structures required in new projects will be readily acceptable by the marketplace, particularly in certain parts of the city. I do, however, believe that well constructed projects in superior locations offering attractive amenities and environment should rent well with the Government assistance despite the high rentals required.

We know that many other development companies share our concerns. Although we are heavily committed to 1976 and to a lesser degree to 1977 for the development of rental units, we are not forward-planning any rental

units beyond those dates. We really do not have any confidence in the rental industry in the long-run. Unless conditions change, we see our long-term future in the multi-family housing market in condominiums. We think that this is a sad state for the industry because the development of rental units in the middle markets should be undertaken by the private sector. If the private sector is unable to fill this role, then government will have to fill the void. If they do, it is virtually certain that they will run substantial deficits since they have to pay the same price for land, cannot build any cheaper, have to repay debt and interest on debt and have the same operating cost structures(and maybe even higher)than the private sector. Therefore, they will have to charge the same $350 to $400 per month rent per new two-bedroom unit constructed if they do not want to run deficits.

What are some of the possible solutions?

1) Rent controls should either be removed or substantially modified so that they are fair and work towards restoring confidence in the industry. Some of the modifications should include recognition of return on investment, the passing through of interest costs and the allowing of all projects whether built before the introduction of rent control or after, at least a 5 year period to mature before they are subject to controls. In the long-run, the best way to keep rents low is to encourage and not discourage supply. It is a known fact that rent control has been a disaster in every city where it has been in effect over a long period of time. London and New York are prime examples.

2) Work towards reducing long-term interest rates. Interest rates are basically a function of inflation and if the rate of inflation is reduced then interest rates will be reduced. In addition by introducing income tax incentives to the lenders of multi-family housing, they may be encouraged to shift some of their resources from the bond market and commercial mortgages into rental housing at lower interest rates.

3) Consideration should be given to Provincial Assisted Rental Type Programs. This should be tied to controlled rents, salaries and fixed return on investment. It should supplement the Federal program. I understand that a number of provinces are presently looking into this and that Alberta and British Columbia have already made public announcements of these programs. In fact, I believe that they are already in effect in British Columbia.

4) Try to prevent or stabilize the escalating cost of land. This could be brought about by encouraging rezoning of land for apartments and speeding up the rezoning and sub-division processes.

5) Provide property tax incentives for say a 5 year period in areas of the city where housing is desirable or in short supply. I am thinking, particularly of the downtown area. Most of the vibrant exciting cities in North America have a strong downtown residential component. By having people living downtown, in addition to the desirable social factors, there is less pressure

on automobile congestion, less parking problems, better conservation of energy since fewer people drive to work and less pressure in the suburbs on services, recreational facilities, schools, etc. The City should also commit resources for recreation and parking for downtown development relating to new apartment projects in order to encourage new investment in downtown residential projects. The cost of providing parking and recreation for development in the downtown area is very high due to the high land costs. At the present time, it is financial suicide to develop high-rise rental units in the downtown area, while having to provide recreational facilities, open space and underground parking.

6) From a construction cost standpoint, I cannot help but feel that a better supply of skilled labour would contribute to cost stabilization. There appears to be a short supply of skilled labour in Manitoba as there is virtually full employment in the construction industry. I do not believe that this is the result of buoyant conditions, but rather a stagnant growth factor in the labour force. I believe that part of this is attributable to the fact that there are better economic opportunities in other provinces in Canada and that the personal income tax, corporate income tax, and estate tax climate in other provinces are not quite as stifling as they are in Winnipeg.

DISCUSSION

Leonard Remis - Chairperson

Thank you, gentlemen. Well ladies and gentlemen, I guess we are in the home stretch. It is time to formulate some consensus of opinion as to where are we going in the housing industry? I have jotted down a few headings and perhaps some of you would like to speak to them and then perhaps we could come up with some kind of recommendations that the Board can convey to the government and the general public. There appears to be little doubt that lack of demand is not the main problem. If anything, the demand has been over stimulated by government action. It appears that it is the problem of supply that we really have to concern ourselves with.

At the top of the list must go the repeated statement that there are not enough lots to go around and that puts upward pressure on the price of land and consequently on the price of a dwelling. Now, to alleviate that problem we have had a number of recommendations. One is to reduce government delays in all the planning areas including a more efficient handling of the applications for sub-division. Second, it was suggested that the practice of continuous development was inflationary because there is no way of escaping the fact that ultimately the development process will stop at some farm which cannot be purchased except perhaps at some outrageous price. A third idea for some alleviation of the pressure on supply was the development of the inner core of the city.

In reference to that last suggestion I would like to ask Don MacDonald and anyone else here who knows the answer: "In what way would that type of development deliver a lower cost lot to housing development?" It is true that the land could revert to the Crown and the Crown could then be in the position to dispose of it in a manner similar to the way communities in the 1930's did. This land incidentally was serviced by works projects initiated during the depressions years and became a land bank,so to speak, an inventory of land which was not exhausted until late in the 1950's and maybe into the 1960's. As one man told me privately, that is what we ought to return to. Those were three suggestions of how to go about alleviating the land shortage and the inflationary pressures on the land that have surfaced today.

It also seems to me that, at the same time, there is a shortage of housing - houses of the right type. For whatever reason, the builders have been concentrating on the high end of the market. While I do not blame them for that - their own economics dictate what they are going to do - but it does leave quite a vacuum in the low end and medium end of the market. We have had a suggestion today, that what is needed is a completely new look at such things as how land utilization, housing design, and building codes influence market behaviour. A second factor noted which has been noted as a contributor to the high costs is the existence of high interest rates. Some subsidies to help the house buyer now exist through government programs, as you all know, and while they are helping the individual buyer, they are also stimulating demand. Do we need anymore of that? Then of course in the last statement by Mr. Linhart where

he pleaded his case eloquently that rent controls are a deterrent to the development of rental properties despite the fact that there are indications that more people will probably be in rental accommodations than there will be in privately owned homes.

Those are some of the things that I gleaned from this meeting. If you have other things to suggest or if you want to amplify the items that I have brought to your attention, I would appreciate the help. Remember I would like to come away from this meeting with some kind of a consensus of opinion.

Leo Desilet - President
Manitoba Building Trades Council

There has been some comment, sir, in regard to the high cost of the construction of homes and much of this comment seems to be relating these high costs to high wages that are being paid to the construction workers. Well,I think we have to realize that since 1957 the cost of a three bedroom home has risen from approximately $11,000 to around $45,000. We also have to realize that construction workers who are employed to work on those particular homes have gotten reasonably good wage increases. On the other hand,there has also been some technological changes in the construction industries that has overcome, I honestly believe, the increase in costs of materials but we do not seem to be reflecting these things in our documents, gentlemen.

Secondly, there have been other statements in regard to the lack of skilled construction workers. Well, I think we should set the record straight and say that 99% of all the people employed in the construction

industry are employed on the piece work basis and nobody can tell me that construction workers or the skilled construction workers were not available. The International Brotherhood of Electrical Workers, Local 2085, which happens to be in the construction industry in the Province of Manitoba has over 250 skilled tradesmen unemployed. The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local 254 has over 300 fully skilled plumbers and steel fitters unemployed. The carpenters had quite a number of skilled carpenters unemployed up till approximately the beginning of June. So gentlemen, really, who is the culprit for the high cost of housing? We have said that there is a reason for the high cost of land, that there are reasons for this and reasons for that but we have not gotten right down and pinned the culprit. Maybe it is not 'who', maybe we should say 'what is the culprit?' I think we should all settle down and try to figure an answer to that question.

Michael Nozick - President
Fairweather Properties Ltd.

Mr. Chairman, it seems pretty clear that the gist of the inputs from all the speakers is that the central component of the problem is the high cost of land, the availability of land. I think Mr. Denton, in particular, was brilliant in his presentation. He anticipated the objections the people in the audience would have and answered them with his view. However, I think the answer lies elsewhere.

In dealing with availability, much commentary has been on how the government process has been acting like a brake. Right through his piece, Mr. Denton seems to be saying "I have the football, find me another playground to play in". He has the land and the other companies have the land and even if the zoning process and the regulations were easier for them, I do not think it would change the price of land. The same people will still be controlling it. It is not the availability of land, but rather it is the people who own it, that is the problem. I think if we direct our efforts toward trying to find out how we can get different people owning the land, then we have a possible solution.

Some of the ways which I see that can achieve results are perhaps radical and I am not comfortable having them come out of my mouth but they do seem somewhat obvious. Firstly, I think a very intelligent commentary was made about eliminating the concept of continuous planning. I think we could go a step further. As you mentioned just before we commenced the afternoon session, perhaps there is much too much planning in its entirety. There are people who perhaps ought not to say what I should build. If I can acquire some land and can build on it and if I am prepared to take the chances of the market place - with some limitation - then let me do it. Let me plan the type of housing that I want where I want it and do not restrict me. The regulations, I think everyone will agree, are far too restrictive; they have just grown all out of proportion to what they were intended initially to protect.

Secondly, I believe that some type - and I hate to use the words - of land speculation tax is ultimately going to be a necessity because

what we are facing is a long term problem. This problem has been building up over a long period of time to the point that the industry is now centralized in a very few large companies. If we want to break that situation up in some fashion it is going to require a long term solution, not a short term one. We have to start planning some way to discabobulate the big ones from the land. If that means providing some advantages of bigness to the small people by means of government assisted financing for assembling land for subdivisions for small builders, I think that is something that ought to be considered. As I mentioned earlier today, I think the fact that only the very large can buy the land, can service the land and can carry it, is the problem. I do not think there is much risk in carrying land today (there has not been for the last 40 years) but there is a problem, indeed, in finding the money to buy it in the first place. Government assistance in that area might be of some help. The small builder is the one that is being squeezed out of the market and that is where the competition is being eliminated. I have a number of other comments which are specifically addressed to Mr. Denton's piece but I feel that they are not in order at this point. I think I have said what I want to say.

Dana Mallin - Chairperson
National Housing Committee, Consumers Association of Canada

As a representative for the consumers, I appear to be in the minority here today. In this capacity I certainly congratulate The Economic Development Advisory Board for gathering together today an elite of decision-makers

and suppliers of housing. I look around and I see planners, academics, representatives of the Federal, Provincial and Municipal Governments. I see builders and developers, everyone except consumers. Mr. Remis asked a very simple question that I find hard to answer. Even with a reasonable average income, why can the consumer not find adequate housing particularly since the government informs them they are entitled to it as a social right? Why oh why are consumers not a part of the process to find that answer? Do they not belong here? Are the issues too complex for them to be involved in? Is the role of the consumer that of a passive recipient?

I submit that one of the major components in the housing crisis is the insular method in which the government and industry operate. One level of government works in great secrecy against the other. In the same way, the industry effectively holds information as a barrier for entry into the market. Furthermore, the government and the industry play off on one another is an incredible game called 'Housing Starts Once a Year'. The industry informs us that they know what we want and are filling our needs and desires. The government informs us that they will provide for us if the industry cannot or will not and yet supposedly someone has a housing problem. Who? The consumer! Yet he is not represented other than at the receiving end.

Without making judgements as to who is responsible for the housing problems, I submit that what is needed is a coordinated and cooperative effort. I think we need some action by the government in terms of

innovative design flexibility that will balance resources, needs, desires and costs. Most importantly, I think we need user participation in the planning process supported by an extremely comprehensive educational program in housing and its process. Above all, I say that one of the keys that we have missed today is coordination, cooperation and action.

Leonard Remis

I am not going to let you go so easily Mrs. Mallin; could you come back to the mike because I want you to answer a question for me. This cooperative effort that you are suggesting - do you see a mechanism for doing this existing anywhere in our system or do you envisage that some sort of an institution needs to be created?

Dana Mallin

I think I would be representative of CAC certainly in saying that CAC's policy would be not to create anymore institutions. I think that what they would be looking for (and I hope that I am speaking for them in this case) is the dropping of the "I am for myself" syndrome to be replaced by an extreme desire to move ahead with some action programs, to take some chances, to stop talking about the housing problems and to start doing something about them. It is time, at the government level, for one agency to start cooperating with the others; it is possible at the industry level for firms to cooperate and to still make a profit and they can also cooperate with government without fear. I sincerely believe that the

consumer has some part in the housing process. He lacks information but he could certainly be given it and be given a chance. Maybe this could be done through the educational system. Housing is an emotional issue and it is a costly issue. We cannot expect that when people are suddenly faced with the decision to buy a house that they can possibly understand this extremely complex process without some education behind them.

Paul Phillips - Department of Economics, University of Manitoba
Member of The Ecnonomic Development Advisory Board

Unlike Mr. MacDonald, for the past ten years I have attended housing conferences on invitation and what interests me and frustrates me is the fact that were this conference held ten years ago in Vancouver, (where I first attended such a conference) the discussion would have been the same. The figures would be different and the names would be different but the issues and the discussion would be identical. At the conference ten years ago, one of the issues was that the City of Vancouver was holding up housing starts by the zoning process which held back serviced building lots to the market.

I will not go through the other arguments, you have heard them all here today. However, I would like to look particularly at some of the issues that were listed in Mr. Goody's paper.

With respect to the labour representatives, one of the things that vindicates them to a certain extent are the figures produced in this paper. If they are culprits, they at least are petty thieves and not in

the big leagues. If you look at the actual figures presented - and I think they are quite interesting - you will notice that the land costs have increased over the period considered by 213% and that the other major cost component is in the monthly payment - the principal and the interest.

Now I have always argued that interest rates are a major cost of housing. The problem is, if the interest rates could be reduced it is not clear to me, nor is it clear to other people, that this would necessarily decrease the cost of housing. If it merely made affordable housing available to more people demand would increase proportionately so that the subsidy in the interest rates would be offset by higher land costs. As the old saying goes "Buy land ... they ain't making much of it anymore." The fact that we all insist upon living in cities also puts an increasing pressure on the elasticity of the supply of land.

In this regard, I believe that there are two issues which were raised this morning but which have not been properly addressed due to lack of time. The first issue refers to constraints of a limited supply of land regardless of zoning and was mentioned at lunchtime in the question "Can the government supply land indefinitely to the market at a relatively low price?" There seems to be obvious limits to this in that sooner or later the land supply runs out and then we are confronted with the much bigger problem of diversifying the urban population by means of various regional development policies. The other question was that of

increasing densities. The ratio of population to land is rising along with increased suburbanization and its consequent need for the dispersal of services. These two facts considered influences the cost of servicing land. It seems to me that this ties together the problem of zoning and planning. Continuous development has real problems if you depart from it or if you throw open the regulations to build anything you want.

At the conference in Vancouver, when they were talking about the problems of rising costs of houses and the need for higher densities in Vancouver, one of the city council men got up and made probably the most realistic suggestion. He said "Lets realize that only the rich can live in Vancouver, the poor will have to go live elsewhere." That was his contribution to the debate. Another contribution to the debate was the suggestion by the head city planner to increase densities through innovation in architecture and housing design. This policy would of course require a rapid transit system which is expensive to build. The problem then arises of what should come first, the housing density or the transit line? At what point would the housing density be great enough to make the transit system economical and how sophisticated does the transit system have to be before innovative housing design to increase densities will take place. The point that I am trying to make is that when housing is in private hands, transit is in public hands, and there is no meeting of minds that could make the housing projects, housing design, zoning and city planning an economically rational enterprise. I do not see how you can ever build a city without urban sprawl which in turn will drive up the costs without changing the density and therefore drive up the land

costs and the servicing costs both of which will contribute to high prices of land.

Shelly B. Zitzerman - President
Imperial Development Limited

I was interested in the papers delivered by all of the panelists. I find very little to quarrel with the positions taken because of the manner in which they started from. It is very difficult to quarrel with Abe Ruben in terms of the problem of workers and their incomes not rising fast enough and it is also very difficult to quarrel with Tom Denton and Sam Linhart. However, I think we are losing sight of some basics. We are talking about a raw resource - land - and the most important thing which you can do with a piece of land is to develop it.

We say we need housing and someone says it is a social right. I question it, I question it for a number of reasons. The entire system is geared so that everyone is being given a handout. Whether it is a baby bonus, an old age pension, or Unemployment Insurance and now, as a matter of right, people are saying, "I am entitled to my patch of grass and my dwelling, and I, the consumer may not know what is happening but I have a social right to that house and someone is at fault".

The point is that if we have 68% of our population making $15,000 a year and under, we have a serious problem of providing that social right. What is affordable housing? Do we require a car-dependent, car-oriented society? I appeared on a panel a year ago in Winnipeg involving downtown alternatives called "Alternatives of the Future" and I asked the questions:

"Do we really need sixty-six foot streets in a sub-division or paved thirty foot streets? Must we have lanes that are thirty feet? Do we need to pave the streets with portland cement? Do we need curbs and man-holes? Could we get away with a sixteen foot street with massive car parking lots appropriately spaced? Where is the trade-off?"

We are living beyond our means with a capital crunch in the market place. There is insufficient money in this country to cover the capital costs of all business activities which allow the worker, the consumer, to earn his living in order to afford a product that we supply. The fact is, this capital crunch and the demands of this capital, whether it be influenced by world-wide inflation, or inflationary trends that we have no control over, dictates the cost of money required to buy that service. There is no sense blaming one particular segment of the society. The entire system is such that we want more for less, we want it instantly, we want it now. There is no such thing as an element of thrift. Why do we provide housing for $1,500 down with a $44,000 mortgage? We should say "I am sorry Mr. Consumer, you are not entitled to buy that house for $1,500 down. You are not entitled to that 1,050 square foot house on the fifty foot lot with an attached garage and perhaps a fireplace". We just have not got the resources in this country to produce the incomes which create a standard that can afford the interest factor. The cost of money is the most predominant feature in any kind of development, in any business enterprise.

We have priced ourselves out of the market-place. Furthermore, the free economy or the free enterprise system in terms of the delivery

of socially desirable items is dead as a door nail. To wit, rent controls and AIB. So the consumer cannot say "I, as a matter of right, demand housing". What has to be rationalized is that the consumer cannot come in with $1,500 down. He should come with $8, $9 or $10,000 down. The government should have a delivery system for the supply of rental housing. The taxpayers should pay the price until the individual can afford it. In other words, the overall system is such that the high cost of housing makes affordable housing no longer possible. It is the system itself.

The next thing I would say is in regard to the entire growth of easy credit which has resulted in a credit deficit. There are more people owing money on consumer goods and other types of spending for whatever reason rather than saving for the downpayments to buy their homes. The latest statistics of the Canadian Economic Council were absolutely staggering and what I am suggesting is that instead of finding a culprit to blame, we have to realize that the housing problem is not one that stems directly from a land factor. The blame lies with the overall manner and style of living to which we have become accustomed.

The government is not concerned with the fellow in the top 2% who is making $50,000 a year plus and managing by himself. The government is concerned with allowing pensioners to fix up their homes for a couple of hundred dollars as Len Evans said, and with providing social housing for the lower levels. However, we have in this country, with Manitoba providing the best example, the middle income poor. The problem is that housing today is not affordable to the middle income poor even if Tom Denton and

Genstar comes up with a 750 square foot home. Such a home is still going to cost in the area of between 40 to 45 of 50 dollars a sq. foot for the capital costs involved alone. However, the individual, as it is shown in Chris Goody's statistics, pays from 178 to 400 odd dollars to cover the carrying cost of the product that is delivered. In other words, the problem is not with the down-payments that cannot be saved, whether it be the registered retirement savings program or tax sheltered incentives, it is in the carrying costs of servicing the debt and delivering the service. This is directly attributable to the entire economy of the western world.

The whole focus of housing requires rethinking of the tax system, the grant systems to municipalities and the responsibility of municipalities to provide housing at various levels. Len Evans is right, the government is going to step in to fill the need of the middle income poor. They are no longer middle income rich. When I came out of law school about 20 years ago, I was offered a job at $300 a month. Well today you cannot pay an articled student that kind of money when he graduates. If a man has graduated for x number of years, he is into the five figures. How many families are forced in this country to have wives and husbands work in order to support the patch of grass and the house that they want? And the point is they are not entitled to it. Who says that we have to provide it? I am saying that we must get back to a system where owning a house becomes a treasure - not a social right. Thrift and work to obtain that status would become important and I am saying that governments ought to develop economic policies as well as

housing policies that are cognizant of that fact rather than be concerned simply with housing starts.

You know it is ridiculous. Barney Danson tells us at a conference, "I am giving you an assisted rental program, I want more multiple family units on the market". So developers gear-up and get started with an assisted rental program to bring on more units in the market and at the same time they are asking "Will provinces put in rent controls?" The patchwork political atmosphere in the delivery of housing, has never been rationalized. It has never been rationalized because of our jurisdictional problems concerning property and civil rights and because of the belief that an over-all National Housing Act is supposed to be the cure-all. The fact is that no one has sat down to re-think the problem in terms of whether land is a public resource and whether in fact it is a social right that a consumer is entitled to a home.

C. H. Templeton - Partner
Templeton Engineering Co.

Mr. Remis, you asked a number of questions when you were talking about the supply problem and I would like to make a brief comment on two of them. First, on contiguous development. Is this an answer? I would suggest that in the City of Winnipeg, we have had contiguous development since Uni-City came in and the cost to the people has been horrendous and unnecessary. We should not forget that the developer's interest in the services is in the sewers, water and pavement. Therefore, if you skip an area by going out to cheaper land, you can reduce that cost.

But what do you do about public transit? That alone is far greater than the cost of sewer, water, pavement, the schools, the police and fire and all the rest of it. I think that if you are talking about being efficient, you should get it as tight as you can and I agree with Don MacDonald: 'lets get it down' - 'lets get what we can down to the centre of the City'. The worst thing you can do however, is to skip.

Now the other point was to provide a lot of services and I think you gave as an example what we used to have; you suggested that perhaps we should go back to something like that. The services that you are talking about were provided in 1929 and every municipality in Greater Winnipeg, with the exception of the City, went broke. I do not think that is what we want. Now many of these services were not used until post-war times; they were worn out before they ever got used. Surely, this is not the answer. We should get a plan of all the components involved rather than just looking at three services.

Peter D. Diamant - Assistant to the Deputy Minister
Department of Urban Affairs

It appears that there are a few issues raised today in which everyone has reached a consensus. However, I would like to disagree with the one item which all the speakers seem to have agreed upon up to this point, namely that the approval procedures are too long and complex and require streamlining if there are to be improvements in the cost of housing in the future. On this point, I agree with Ms. Mallin in that there are few opportunities for the consumer, the citizen, to be involved in the decision-making process. I do not feel that a period of two years for the approval of a major sub-division in an area of the

city is unnecessary. Is it too long when you consider the kind of influence that it is going to have for the next 50, 75, or even 100 years in that community? In studies done within our department, approval processes have been found to go through as fast as 174 days, even though some have taken longer, obviously a lot longer. It is not the system that is necessarily to blame for this particular problem. I think that the provincial government is giving the citizens the opportunity to make presentations at a variety of committees to appeal procedures and to make their opinions known. However, that does not mean that these community committees such as the Committee on Environment have the authority to approve what the citizens want; it is still up to the council to make such decisions and it is not necessarily the local citizens who are making the decision. What I want to emphasize is that they have to have the opportunity to make their statements even if we do not like the kind of things that are being said.

Leonard Remis

While thinking about consumer representations to invite to this meeting, it seemed to me that governments really represent the consumers. If they do not represent the public at large, the consumers at large, who then do they represent? If you listen to the industry, they certainly do not represent the consumer; there is a confrontation there. To select

consumer representatives, and we have some people from the Consumer Association here, I believe we must look at the potential buyer but I do not know where he is or how I would get to him and how sure I would be that he would be representative of all the other buyers. It really seemed to me that the government - politicians and bureaucrats - really represent the consumer. That is why when we structured the meeting, we put them on the demand side, in a sense, and I think that is where they belong. What is the alternative? There is no gain in saying that people who have an overall interest in what the consumer gets should have a voice. Yet it would be terribly difficult to find someone who would say I am going to build a house five years from now and I am really going to get involved in this whole consumer process.

Victor E. Krepart - President
Metropolitan Properties Co. Ltd.

I think that we are separating out all the warts, blaming the housing crisis if indeed there is one, on the various components of the people. I would like to tell you, if I may be permitted a short story, about how separation does work and how being together can work too. The story is about a lusty rooster who was chasing two equally accommodating hens across the barnyard and they were being very coy and running very quickly and this cockeyed rooster was chasing them heartily. Finally the hens realized that nothing was happening so the one said to the other one "You know I think we should separate, he's going to miss both of us".

Mr. Chairman, I have a great respect for private enterprise and I do not attempt to lay blame, I only wish to ask a question. Private enterprise, in this country and in the States, is supplying in abundance virtually everything we use from the glasses on our tables to the clothes we wear and everything we enjoy. This is done because private enterprise, with a minimum of legislation, can identify markets and can take steps to satisfy those markets. The objective is to provide the largest supply of goods of the greatest possible quality to the greatest number of people in the market.

Without laying blame, I would like you to examine the one basic commodity without which nothing can happen in our industry. First, some genius has to acquire a piece of mud, that is what it is, it is very basic. Before anything can happen he has to somehow draw a line around it and create a lot. Until that happens, ladies and gentlemen, nothing happens in our industry. Now if you examine this process in this country, the question is "Why is it that the only item that private enterprise has not been able to keep in good supply, and this is national, here and in the States, is the product, land." I suggest to you that the reason is that we are probably more legislated, more controlled, more studied, more task forced and examined than any other industry. Everyone of those studies I refer to have a tendency to restrict, to upgrade and to add costs to the process, all of which I do not think the consumer wants; your family earning $15,000 to $17,000 per annum cannot afford a house. I do not wish to take blame from the industry, it must share the blame, but

I think some of the fault is that some of our problems have been legislatively created.

Let us refer back to the basic land. The very process of putting a line around a lot on a piece of paper starts at the community level. The possibility of sub-dividing a piece of land is placed before - at the risk of being ungenerous - vested interests. If I was in that community as a home owner, I would have a vested interest. Home owners are the very vocal minority. No one represents the silent majority; those who have not yet been able to get that vested interest. The proposal to sub-divide that land is placed before the people who are in that community. At a local level, the politician who is in that ward has the voters who will vote for him in the next election at that community meeting. Mr. Chairman, I would suggest that there are 80 or 90 voters in that community meeting and there is no doubt which way the politician will vote on the question of whether or not we will make room for that silent majority who do not yet have a home or a place in our community.

I think the process under which we operate in the City of Winnipeg Act, is one of the first bottlenecks. Secondly among dozens, I think instead of task forces in Manitoba or Royal Commissions to examine the cost of land, we need an action force. If it were possible, this is the way private enterprise would solve the problem but I am getting old and pessimistic for I doubt whether the public sector can solve it this way. I think what this city and this province needs is an action force - not another task force. It would re-examine, with all due respect, the CMHC.

Every single standard that has been written, that has been there for 25 years or more but which is now not required because of better materials, should be re-examined to see whether the cost-benefit ratio of that original standard is still required. I would suggest that the cost-benefit ratios that were developed 20 or 25 years ago, to build a 50 or 75 year field safe system into our underground, pavement and services at 5 to 6% per annum were probably quite legitimate. I suggest Mr. Chairman that the cost-benefit ratio of putting in a 50 year or 75 year storm cycle into our storm sewer, is one example. If the cost benefit ratio to the public was right at 5 to 6% installation costs, than a brand new look surely is required to see if the cost-benefit ratio is still right at 11½% for the next 30, 40 or 50 years. The final installation costs could have quadrupled. So there are dozens of points under which our industry is laboring legislatively. I am not making excuses but I might say that I am surprised that we survived.

There is one more point as far as pricing our product is concerned. Chris(Goody) made mention of a triangle within which our potential customers are contained. I think that any industry that is in business to make a profit, and we are - I do not want to apologize for it - would be criminally insane to purposely raise the price of the product so that it gets closer and closer to the top of the triangle. It would eventually choke off the very volume upon which the industry exists. I think it can be said that the lower on triangle we are (the more customers there are), the wider is the spread for overhead, the lower the costs are and the more energetic we get. In conclusion, I think what we need is an action

force which includes both municipal and federal governments, engineers, land developers and CMHC. It must re-examine everything we have built into this system that is unnecessary and always remembering that we are now paying 11½% for our costs, not 6% or 7%.

Leonard Remis

I want to ask a question of all those who call themselves economists. Is there something wrong, is there a difference in the way the developer looks at land and the way a planner looks at land? Are we really talking at cross purposes? In one case it seems to me that the land developer talks about land like it is any other commodity whether it is lumber, coal, soup, soap, or a box of oranges. Now, a planner looks at land as a non-renewable resource. He sees it as finite, as something that has all kinds of limitations on its use which is involved with the development of other services in connecting up the land with other parts of the community. Is this not part of our problem? We are really looking at different aspects of the elephant. If so, somehow or other we have got to bring those viewpoints together and at least define land in a way that everybody is talking about the same thing. Now if anybody wants to pick up the gauntlet on that, I would like to know the answer.

Grant Wichenko - Research Analyst
Housing and Urban Development
Planning Secretariat of Cabinet

I would like to agree whole-heartedly with Mr. Krepart's remarks on the role of community groups. I was at a meeting some months ago in

which MHRC was trying to put through a housing project that would have a mixture of ownership and some public housing within it. I had to laugh when people from the community were standing up and screaming about poor people moving into the area when in actual fact these so-called poor people would have to make a lot more money than those already living in the area. There were only two of us at that meeting who opposed the views of the majority.

The next point is in regard to remarks in Mr. Linhart's paper. He talks about rent controls being a culprit. If you note that there are probably about 12,000 rental blocks in the province of Manitoba and there have only been about 1,000 applications to the Rental Review Board (representing 15,000 to 20,000 units); that would indicate to me that the 10% or 8% or whatever the ceiling is, is quite adequate for a goodly percentage of the landlords who operate rental properties.

My next minor point is in regard to the downtown as opposed to peripheral development. The fact is that it would be difficult to build a lot more housing downtown simply because it would cause an incredible increase in the cost of providing infra-structure services such as schools (which are built at a lower standard than what they are in the suburbs) and good open space and everything else. It would be quite a horrendous increase in costs. The fact of the matter is, if you look at the City's five-year capital budget of $600,000,000 you will see that only about 30% of the cost of the overall capital budget could be attributed to new peripheral development. The remainder of the budget

was attributed to maintenance of existing street systems. Now that is a really critical observation. The last point is that I naturally agree whole-heartedly with Mr. Goody's summation particularly where he says, "builders benefit most from volume and continuous production which keeps everything in balance and overhead at a minimum. The market for homes is shaped very much like a pyramid ..." I wonder why somebody has got the bright idea of building Tuxedo Estates, which are condominiums, selling at $66,000 to $70,000. I will never understand it. When I was in Toronto recently I noticed you can buy a condominium in the CBD fringe for under $200 a month PIT and if we had a situation like that in Winnipeg, it would be the cat's glutius maximus. Thank you.

Leonard Remis

Well ladies and gentlemen, we have been at it pretty intensively now, since a little after 9:00 o'clock and I think that we have chewed over this topic pretty thoroughly. I do not know whether we have uncovered any new concepts but we have heard many points of view. I think that I do not have any reason to change my consensus. Generally speaking, I would say that we are all concerned about the cost of land and that we are looking for ways to make better use of it and to lower the price. Some good ideas have been offered. I want to thank all of you for coming and giving of your time and your interest.

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